

## **APPENDIX IX**

### **GAMING REVENUE IMPACTS RESULTING FROM DOE'S YUCCA MOUNTAIN PROPOSAL**



# **GAMING INDUSTRY REVENUE IMPACTS RESULTING FROM THE DOE'S YUCCA MOUNTAIN PROPOSAL**

By

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## EXECUTIVE SUMMARY

The U.S. Department of Energy (DOE) has proposed to site the nation's high-level nuclear waste repository at Yucca Mountain, Nevada. If the DOE proceeds with its current plans, most of the nation's spent nuclear fuel (SNF) and other high-level radioactive waste (HLW) will be shipped through Clark County on route to the repository which is to be located approximately 100 miles northwest of Las Vegas, Nevada. Clark County is home to over two-thirds of Nevada residents, as well as, the center of its primary economic sector, tourism. Clark County's tourism economy is driven by gaming, which generated 82% of all gaming revenues statewide in 2000. Revenues from gaming have helped fuel Clark County's rapid growth, making it now the fastest growing county of its size in the United States. Gaming revenues also provide a large share of the States tax revenues. Thus, the economic health of the gaming industry is of paramount importance to the well-being of all Nevada residents.

A historical examination of Clark County's tourism sector indicates that while gaming revenues have grown at a compound annual growth rate (CAGR) of 10.28% over the last thirty years, that there has been fifteen years when the growth rate declined year-over-year. These fluctuations in growth rates have been linked to general economic downturns both nationally and internationally, as well as, other environmental externalities such as oil shortages. These fluctuations indicate that the gaming industry is not immune to economic downturns.

The purpose of this study was to evaluate the range and magnitude of possible gaming industry impacts that may result from the transportation of HLW through Clark County in close proximity to the center of its primary economic engine, tourism. The study first reviews the demographic and socio-economic landscape of Clark County and then examines the

vulnerability of the gaming industry to stigma-induced downturns from the perspective of gaming industry leaders and historical experience. Specifically, a recent report detailing the opinions, beliefs, and perspectives of gaming executives is summarized, as well as, earlier studies that analyzed a sub-sector of the tourism industry, convention planners and convention attendees. These studies indicate that the gaming industry is particularly vulnerable to stigma-induced downturns since perception plays a significant role in the attractiveness of the Las Vegas area.

The report then examines the range and magnitude of stigma-induced downturns that have been experienced within the tourism sector of other communities as a result of an environmental or technological hazard. Of particular note, the report describes the nature and magnitude of downturns that have been associated with four radioactive waste events: Three Mile Island, Pennsylvania (TMI); Goiania, Brazil, Ibarki Prefecture, and Dounreay, Scotland. The report identifies significant economic impacts associated with these events. Although the literature is sparse and no longitudinal studies appear to have been conducted that document the extent and the duration of the economic downturns associated with these events, the immediate impact was substantial. This report also looks at the impacts on tourism that have been recorded from a variety of other natural and technological hazard events from flooding in Venezuela in 1999 to the outbreak of foot-and-mouth disease in the United Kingdom during 2001. These events illustrate the range and magnitude of economic impacts that may be experienced by the gaming industry if the HLW shipment campaign results in the area being stigmatized.

The literature describing the range and magnitude of possible impacts and historical experience are then used as the basis for scenarios that are applied to the cumulative income

statements for the "Strip" and downtown casinos to identify the potential losses that may be experienced as a result of the DOE's proposed HLW shipment campaign. While these projections do not provide a forecast of what will happen to gaming revenues in the event of a HLW shipment campaign, they do provide a first cut estimation of the range and magnitude of the economic impacts that could occur.

The application of these scenarios indicate that even the most modest of downturns could result in losses of \$158 million along the "Strip" and \$13.5 million downtown over the level of net income in fiscal year 2000. A more serious accident could lead to revenue losses of \$416 million along the "Strip" and \$35.3 million downtown over the level of net income in fiscal year 2000. In the event of a serious accident, the gaming industry could experience revenue losses as high as \$915.2 million along the "Strip" and \$77.7 million downtown. Under this third scenario, casinos of all sizes on both the "Strip" and downtown would have a net loss before federal income taxes and extraordinary items.





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## **1.0 INTRODUCTION**

### **1.1 Purpose**

This report is part of a series of studies conducted over more than a decade by the State of Nevada's Nuclear Waste Project Office (NWPO). In its ongoing effort to analyze the potential impact of the DOE's proposal to transport high-level nuclear waste (HLW) to a repository site at Yucca Mountain, Nevada, this report specifically focuses on the nature and extent of the vulnerability of Nevada's gaming industry resulting from these DOE's proposed activities. Several earlier studies have identified the gaming industry as vulnerable to adverse impacts as a result of the DOE's planned siting efforts (Butler 1980; Kunreuther et al 1987; Kunreuther et al 1988; Kunreuther et al 1993; Slovic 1993; Mushkatel et al. 1993). This report, however, is the first attempt to address the task of quantifying the extent of this potential vulnerability.

This task is very difficult given the many uncertainties associated with the DOE's proposal. Among the many uncertainties is the lack of definitive information on the modal mix and the transportation routes that will be used for the shipment campaign. In addition, the shipment campaign associated with the Yucca Mountain project is unprecedented in its magnitude. Further, while there are many examples of environmental hazards contributing to downturns in tourism economies, there is only very limited research that analyzes the potential impact of a HLW shipment campaign on tourism. Since, verifiable, quantitative data are not available to conduct a comparative analysis, a scenario-based approach was developed and applied in this study to determine potential impacts. The first scenario is based on historical downturns in Clark County's tourism sector. The other two scenarios are based on

the range of downturns to the tourism sector that has been associated with other environmental and economic disamenities in other communities. These scenarios are explained in detail in Section 4.1.

The report begins with a summary of the demographic and socio-economic landscape of Clark County, illustrating the importance of the gaming industry to the State's economic health. Section 2 examines the vulnerability of Clark County's gaming industry to stigma-induced downturns from the perspective of both gaming industry executives and historical experience. Section 2 also summarizes the nature and extent of stigma-induced downturns in the tourism sector of other communities. Section 3 examines the key characteristics of Clark County's gaming industry, specifically describing the types of casinos and their financial profiles. Section 4 describes the scenarios used to analyze potential impacts and details the potential impacts resulting from the application of these scenarios to the gaming industry. Finally, Section 5.0 discusses the implications of these findings and suggests additional research that can be done to refine the estimated impacts that are projected to result from the DOE's actions.

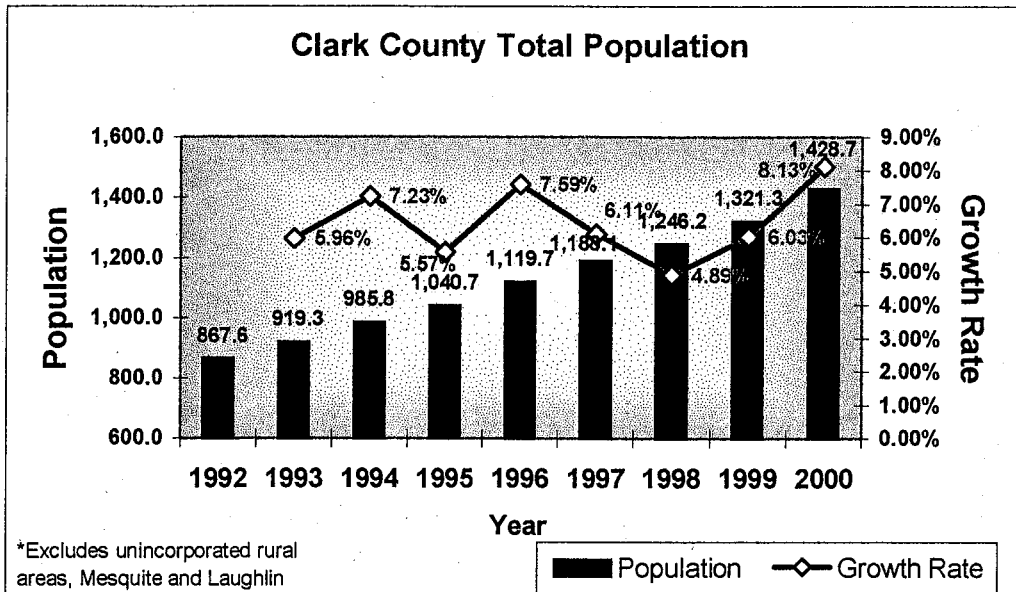
## **1.2 Clark County's Landscape**

### **1.2.1 Demographic and Socio-economic Growth**

Clark County, Nevada is now the fastest growing county of its size in the United States. From a population of 876.6 thousand in 1992, Clark County has grown to over 1.4 million today (Figure 1). The University of Nevada Las Vegas's Center for Business and Economic Research forecast Clark County's population to grow by 5.3% through 2001 (UNLV 2001). The rapid population growth in Clark County is the result of both organic

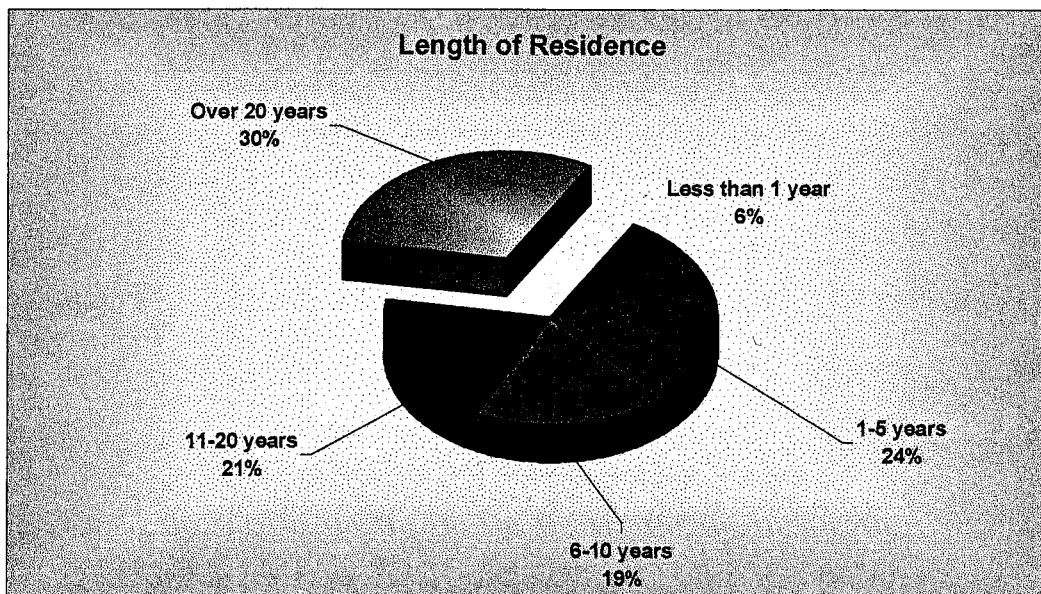
growth and in-migration. According to the Clark County Health Department, births outpace deaths by a ratio of greater than 2:1 (UNLV 2001). The rapid pace of in-migration is reflected by the fact that almost half of Clark County residents have lived in the area for less than a decade (Figure 2).

**Figure 1 Clark County Population Growth 1970 – 2000**



Source: Center for Business and Economic Research, UNLV 2001

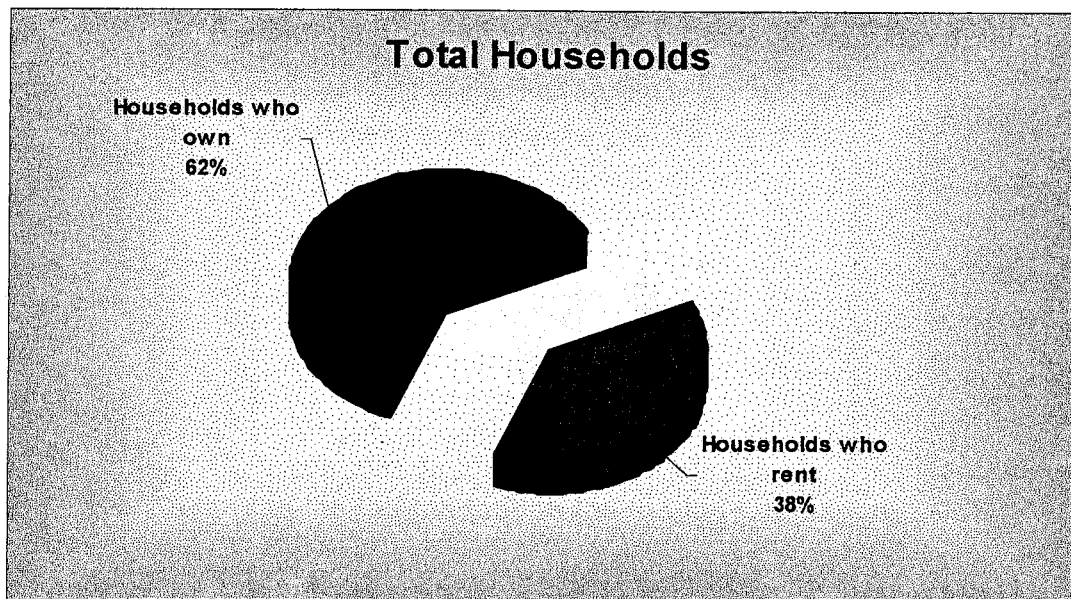
**Figure 2 Clark County Length of Residence**



Source: Center for Business and Economic Research, UNLV 2001

Over two-thirds of the newcomers to Clark County have at least some college education and over 55% earn more than \$35,000 per year. This demographic mix is both slightly better educated and more affluent than the average Clark County resident, thus, they provide a positive infusion of workers and customers for the primary economic sector, tourism. In fact, this infusion of workers has contributed to the unprecedented growth in tourism over the last decade. Additionally, these newcomers have driven the construction of new homes and helped sustain the high ratio of homeowners to renters in the Valley (Figure 3).

**Figure 3 Total Households: Owners vs. Renters**



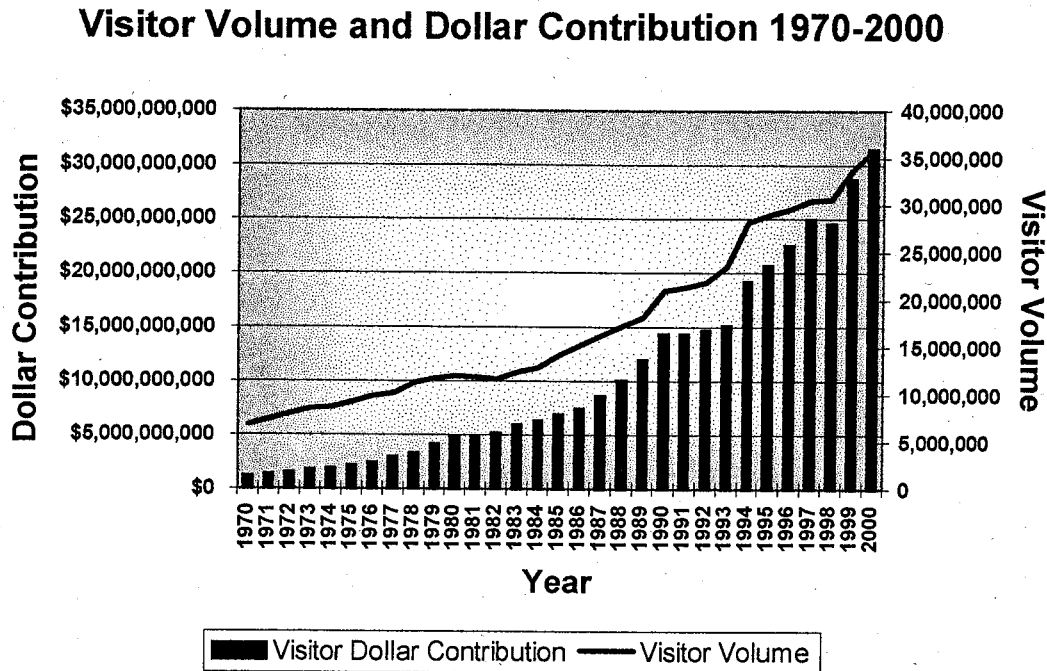
Source: Center for Business and Economic Research, UNLV 2001

### **1.2.2 Gaming: Nevada's Economic Engine**

The gaming industry is the economic engine of growth in Clark County and in the State of Nevada. Over the last thirty years, the number of visitors has grown from 6.8 million to over 36 million today (Figure 4). This growth in visitors has resulted in the contribution of tourism to Clark County's economy rising from \$1.2 billion to \$31.5 billion over the same

period. As illustrated in Figure 5, the growth in gaming revenues parallels the growth in visitors and their overall economic contribution (Figure 5).

**Figure 4 Visitor Volumes and Dollar Contribution 1970 - 2000**

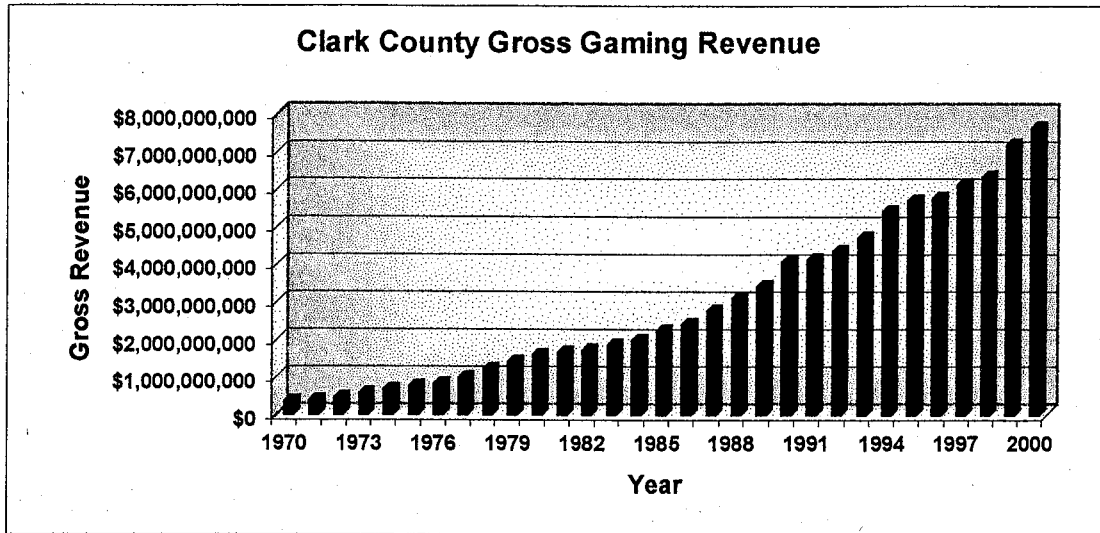


Source: Center for Business and Economic Research, UNLV 2001

The gaming industry is important not only because of its direct contribution to Clark County and the State of Nevada's economy, but also because of its significant contribution to the state and local tax base. Currently, the state of Nevada does not tax:

- Personal Income
- Corporate Income
- Gross Revenue
- Franchise Tax on Income
- Inventory (including all personal property in transit through the State); and
- Special Intangible, Chain Store, Admissions, Inheritance, or Gift Taxes.

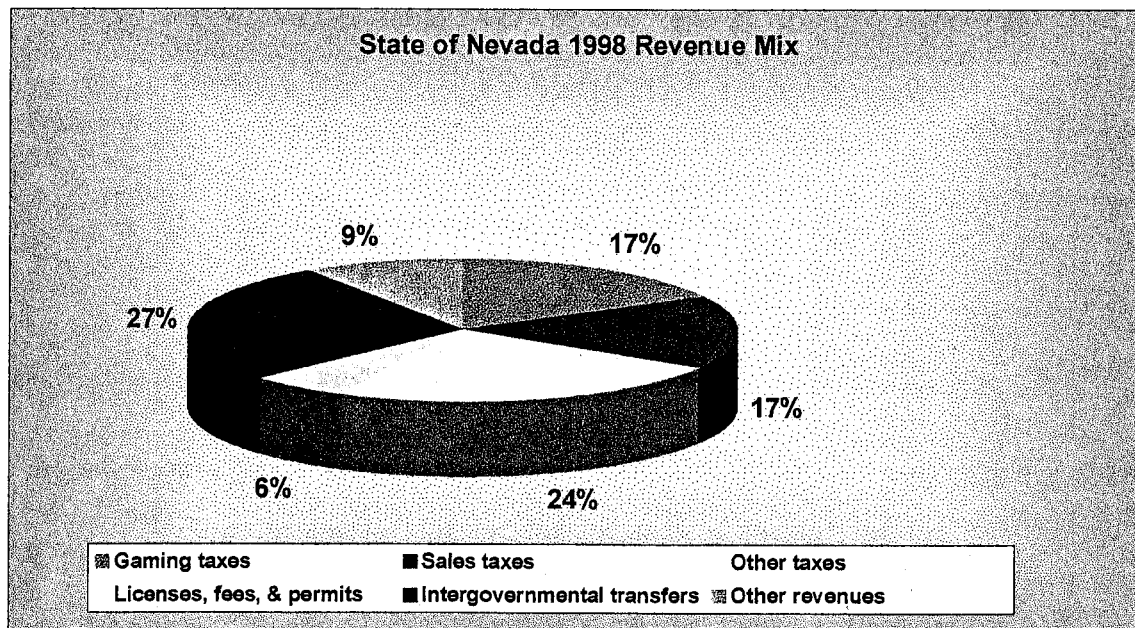
**Figure 5 Growth in Gaming Revenues 1970 - 2000**



Source: Center for Business and Economic Research, UNLV 2001

Instead, revenue is primarily generated from gaming taxes, sales taxes, other miscellaneous taxes, licenses, fees, and permits, as well as intergovernmental transfers of revenues (Figure 6).

**Figure 6 State of Nevada 1998 Revenue Mix**

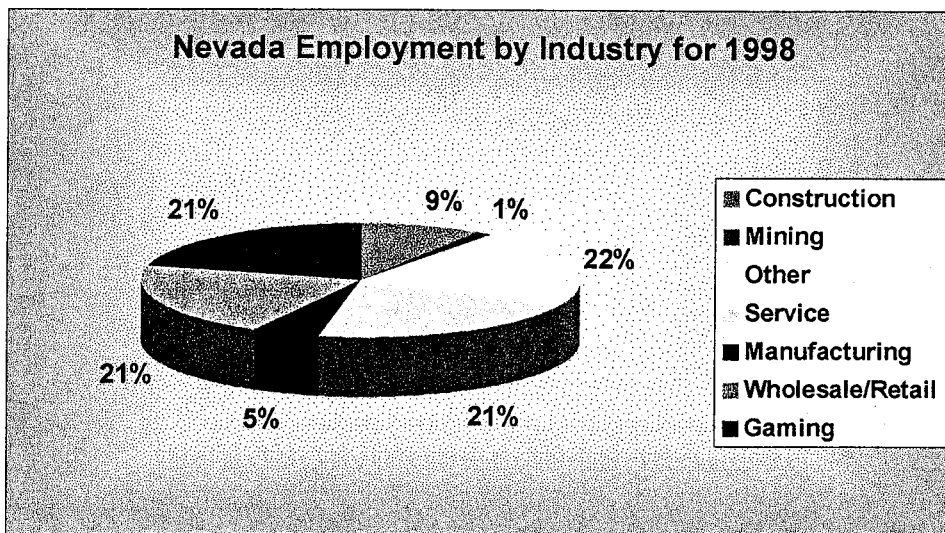


Source: State Controller, Comprehensive Annual Financial Report 1998



A March 2000 report prepared for the Nevada Resort Association notes that “Compared to most states, Nevada’s tax structure is uniquely dependent on gaming to carry the principal tax burden while at the same time exempting other businesses in the economy from bearing a commensurate portion of the overall tax burden.” (Arthur Anderson 2000). In fact, the report found that while the gaming industry employs only 21% of Nevada’s labor force it pays 53% of the state taxes (Arthur Anderson 2000) (Figure 7 and 8).

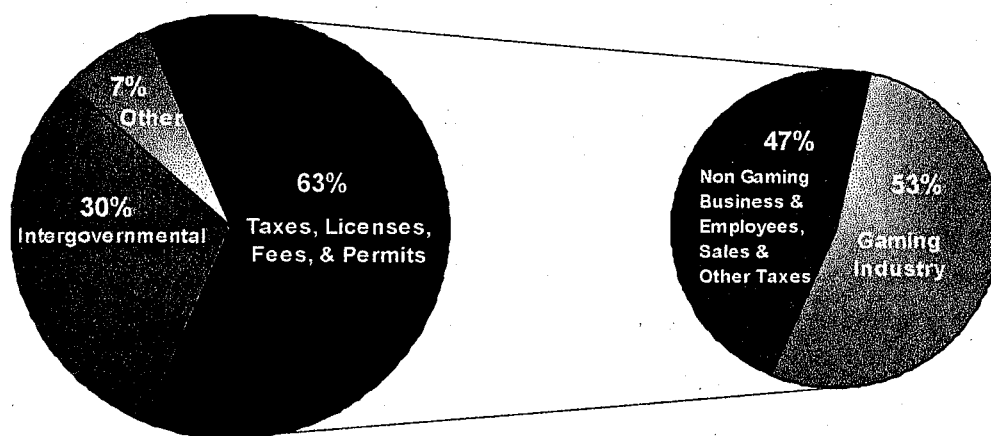
**Figure 7 Nevada's Employment by Industry for 1998**



Source: Nevada Department of Employment, Training, and Rehabilitation (DETR)

Almost 50% of Nevada’s total gaming revenues are generated from properties along the “Strip” and another 7.4% is generated from casinos in the downtown area (Jason Ader et al. 2000). Clearly, the economic health of the gaming industry is critical to the economic well-being of both Clark County and the State of Nevada.

**Figure 8 Nevada General and Special Revenue Funds with Tax, License, Fees, and Permits, by Source for 1998**



Source: Nevada Resort Association

### 1.3 Approach

Since there is no experience with a radioactive waste shipment campaign of the magnitude proposed by the DOE, it is impossible to forecast with precision the potential revenue loss to the gaming industry using standard appraisal techniques such as hedonic price modeling or a sales comparison approach. Instead, this study uses a scenario-based approach to examine the nature and the range of losses that may be experienced by the gaming industry as a result of the DOE's proposal to build the Yucca Mountain repository and ship HLW through Clark County.

Three scenarios are used to estimate the potential range of impacts that may be experienced within the gaming sector. The scenarios are based on actual experience with downturns in the Nevada gaming sector over the last thirty years and from analogous

experiences from other communities where adverse environmental factors have contributed to a downturn in tourism. The downturns projected in these scenarios are then applied to the combined income statements for small and large casinos on both the “Strip” and downtown to forecast a range of potential revenue losses. It should be noted that because of the high fixed costs within the gaming industry, a loss of a dollar in revenue(s) results in greater than a dollar loss in the bottom line, net income.

### **1.3.1 Limitations and Delimitations**

As noted above, the DOE’s proposal to build the Yucca Mountain repository and transport HLW has many uncertainties. For example, while there have been limited shipments of HLW within the United States, there is no direct experience with a HLW shipment campaign of the magnitude that DOE has proposed. Thus, standard appraisal techniques including hedonic price modeling and a sales comparison approach cannot be used to determine potential losses to the gaming industry, since these techniques require directly comparable historical or current analogous data as input into these models. There is also uncertainty as to the modal mix of shipments and the routes to be used to ship HLW to Yucca Mountain.

Other uncertainties are linked to the nature of the hazard and the duration of any adverse impacts. For example, there is substantial literature linking environmental hazards with stigma-induced property value diminution and there is a plethora of literature that indicates that “nuclear” related hazards are viewed as among the most negative type of hazard. However, much of the literature examines geographically fixed environmental conditions such as nuclear power plants, incinerators, and landfills. The DOE’s proposed

HLW shipment campaign encompasses 43 states and a diverse range of environmental settings. It is unclear whether the mobility of the hazard and the varying geographies along the shipment corridor will influence the nature and extent of any stigma-induced property value diminution. Most studies of stigma-induced property value diminution have focused on a single hazard event that is remediated and over time experiences either a partial or a full rebound in value. The transportation of HLW will occur over many years providing the potential for multiple incidents of varying degrees of severity to occur. In addition, with no direct experience, it is impossible to determine the duration of any stigma-induced downturn or the extent to which such effects could be permanent as a result of a HLW shipment incident.

Further, recent proposals by the Bush Administration to extend the licenses of nuclear power plants and to commence the construction of new nuclear power plants has the potential to significantly increase the volume and duration of the HLW shipment campaign to Yucca Mountain. Given these many uncertainties, a scenario-based approach that incorporates the gaming industry's historical experience with business disruptions and the analogous experience of other communities with natural and technological hazards, provides a reasonable proxy for analyzing potential impacts. However, it should be understood that this is not a **forecast** of expected revenue losses but a first cut estimation of the range and magnitude of losses that could occur. As information that is more detailed is made available from the DOE, these estimates can and should be refined. In addition, this research team will soon commence several studies that when completed will allow for a refinement in the estimates discussed in this report. In the meantime, this report provides an analytical framework for identifying the range and magnitude of impacts that may be experienced.

## **2.0 GAMING INDUSTRY VULNERABILITY TO STIGMA**

### **2.1 Key Informant Analysis**

In order to understand the nature and extent of the gaming industry's vulnerability to stigma induced downturns that may result from the DOE's proposed shipment campaign, the views of two stakeholder groups, as well as actual historical experience within Clark County's gaming industry was examined. The two stakeholder groups: gaming industry executives and convention planners represent a range of expertise about the factors that influence the economic well-being of the gaming industry.

#### **2.1.1 Gaming Industry Executives**

Under a recent contract with Clark County, Urban Environmental Research (UER) conducted a series of interviews with Clark County gaming executives representing casinos from both the "Strip" and downtown Las Vegas. The purpose of these interviews was "to identify both the nature and the range of concerns of key tourism leaders as to the potential effects on the tourism industry as a result of the DOE's proposal to ship HLW through Clark County to a repository at Yucca Mountain." Among the key points made by these gaming executives were the following.

- A strong national economy, readily available inexpensive airline access, and an unprecedented number of new facilities have helped fuel the growth in visitations to the valley over the last few years, hotel occupancy, and payrolls within the gaming industry over the last several years.
- The mix of visitors to Las Vegas has diversified over the last few years. This diversification is expected to continue and contribute to a changing mix of revenue

streams for the gaming industry. Under this evolving revenue mix, gaming revenue comprises a smaller share of the overall revenue stream as revenues increase from room rates and retail, (especially among the larger destination resorts along the “Strip”).

- Over the last decade, two sub-markets have made particularly important contributions to the overall gaming industry growth. First, from 1990 to 2000, the number of convention visitors has grown from 1.74 million to 3.86 million, resulting in a \$4.4 billion contribution to the Valley’s economy in 2000. Second, Clark County’s dynamic population growth has contributed to both the labor pool and a growing local gaming market. Further, the rapidly growing population is linked to the high quality of life that the Valley provides and the effective political leadership that maintains “a balance between needed government services and an attractive business environment (Conway et al. 2001).
- Gaming industry leaders believe that the visitor economy has been and will continue to be subject to downturns particularly related to national economic conditions. In addition, there are concerns that there may be negative synergistic effects from rising energy costs; increased congestion along the I-15 California/Nevada corridor; and increased availability of Indian gaming in California; resulting in a decrease in visitations and subsequently lower revenues. These gaming executives indicate that the added shipment of HLW along this transportation corridor can only exacerbate this problem.
- While there were differences of opinion about the likelihood of an accident along the shipment corridor, there was unanimous “concern that an accident even a minor one

along a route anywhere in Clark County could have a devastating impact on their business” (Conway et al. 2001). One gaming executive indicated that “the media’s amplification of even a small traffic accident could result in a double digit drop in the number of visitors such as what occurred in Florida after several German tourists were killed.” According to virtually all of the gaming executives interviewed, “the most serious risk is from the stigma that will result if there is an accident of any kind involving the shipment of HLW.” In the event of a serious accident, they described the potential impacts “as crippling, devastating, and “Chernobyl” like.”

- Many of the gaming industry representatives addressed the high level of fixed costs associated with their operations and indicated that any downturn in revenue would have a substantial impact on their bottom line. Further, several stated that because of the high fixed costs associated with their business, they were particularly sensitive to the cost of capital. Hence, they were concerned that if the investment community believed that the shipment campaign might adversely affect revenues, the cost of capital will increase.
- Gaming executives indicated that in addition to the adverse monetary impact of the proposed shipment campaign they were concerned about other stigma-induced impacts including deterioration in the quality of life, which would result in the area becoming less attractive for their employees and themselves. This deterioration could slow in-migration and perhaps even result in out-migration.
- Gaming executives also noted that they are not currently prepared to manage an emergency response event requiring in-place evacuation and that their insurance would not cover such an event.

While the interviewers did not inquire as to the extent of property value impacts that may result if the DOE proceeds with their planned shipment campaign of HLW, several interviewees volunteered that even with no accident **double digit losses** could occur. Further, there was strong sentiment among the gaming executives interviewed that a serious accident would have a devastating long-term effect.

### **2.1.2 Convention Studies**

In 1988, Kunreuther, Easterling, and Kleindorfer surveyed a sub-sector of tourism visitors, convention planners who had previously selected Las Vegas as a meeting site (Kunreuther et al. 1988). The convention planners' were asked to re-evaluate their decision to site a convention or meeting under an array of scenarios from benign to recurring accidents and under varying media attention from scenarios that downplayed events, to those that amplified incidents. The survey results indicated that even if the repository ran without incident for 10 years, that 30% of convention planners would lower their ranking of Nevada as a convention site. Under this scenario, four percent would not even consider Las Vegas as a convention site. Under a scenario of multiple accidents and amplified media coverage, almost half would not consider Las Vegas for a convention.

To further explore whether the proposed HLW repository program would influence the decision-making of convention attendees, a 1993 survey sampled 600 persons who had previously attended a convention held by one of six associations. Convention attendees were asked about the factors that influenced their decision to attend a specific convention. They were also asked how a variety of noxious facilities located within 100 miles of a meeting site might influence their choice. The noxious facilities included a prison, a nuclear power plant, a



hazardous waste incinerator, a low-level radioactive waste repository, and a HLW repository (Kunreuther et al. 1993).

Respondents indicated that a prison or a nuclear power plant within 100 miles would have only a minimal effect on their decision to attend a convention (less than 3.2%). The proximity of waste disposal facilities, however, created more concern. Nearly 6.5% of the convention attendees interviewed indicated that the presence of a hazardous waste incinerator within 100 miles would “definitely” or “probably” negatively effect their decision to attend a convention. While 10% indicated that a low-level radioactive waste facility would negatively influence their decision to attend a convention, almost one-fourth of the respondents indicated that a HLW repository would negatively effect their decision (Kunreuther et al. 1993).

Another methodology used to investigate potential tourism impacts has been the testing of visitor decision-making. These approaches are based on either risk avoidance or negative imagery. Using the risk avoidance approach, researchers hypothesized that those living along the transportation routes leading to the repository would attempt to avoid the area if they believed that their health would be adversely affected. As part of the convention attendees' survey discussed above, respondents ranked whether various risk factors were “very important” when deciding whether to attend a convention (Kunreuther et al. 1993). Respondents ranked crime rate 26%, natural hazards 12%, and environmental hazards 9% as “very important” factors in their decision making process.

The survey results of convention attendees were also used to determine whether attendees reported concerns were predictive of their actual past and future behavior. Respondents were asked to rank four cities on a series of factors including crime, natural hazards, and environmental hazards. Analysis of these results indicates that they are

predictive of actual past conference attendance. For half of the six groups tested, at least one risk factor proved predictive of both past and future meeting attendance. The survey results support the contention that the perception of risk associated with the transportation of HLW to the proposed repository at Yucca Mountain may translate into risk avoidance behavior that could adversely affect tourism.

Another approach focused on changes in image that are evoked when people think about Las Vegas and southern Nevada. This method was designed to measure whether people associated the proposed repository with Las Vegas and Nevada. This approach assumes that the repository's adverse image will negatively influence the decision-maker's propensity to consider vacationing or towards attending a convention in Las Vegas.

In a study of over 3,000 respondents, Slovic, et al. found that an underground nuclear waste repository evoked a predominantly negative image among 40 percent of the respondents' (Slovic et al. 1993). In another study, Slovic conducted a survey to assess images associated with various cities and states including Denver and Las Vegas, as well as New Mexico and Nevada (Slovic et al. 1990). Those surveyed were asked to rank the images in terms of positive or negative connotations that they provoked. These scores were added to produce an image score for each place. These results were positively correlated with identified preference for visiting these locales. Further, a longitudinal survey eighteen months later found that the image scores were predictive of visits to these locales.

In a similar research of convention attendees, Kunreuther and Easterling found that an image score was "significantly related" to the likelihood that a respondent would actually attend a meeting in a specific city (Kunreuther 1993). These studies indicate that if Las Vegas

becomes associated in the public's mind with the proposed repository at Yucca Mountain that any negative incident linked to the repository could adversely influence tourism rates.

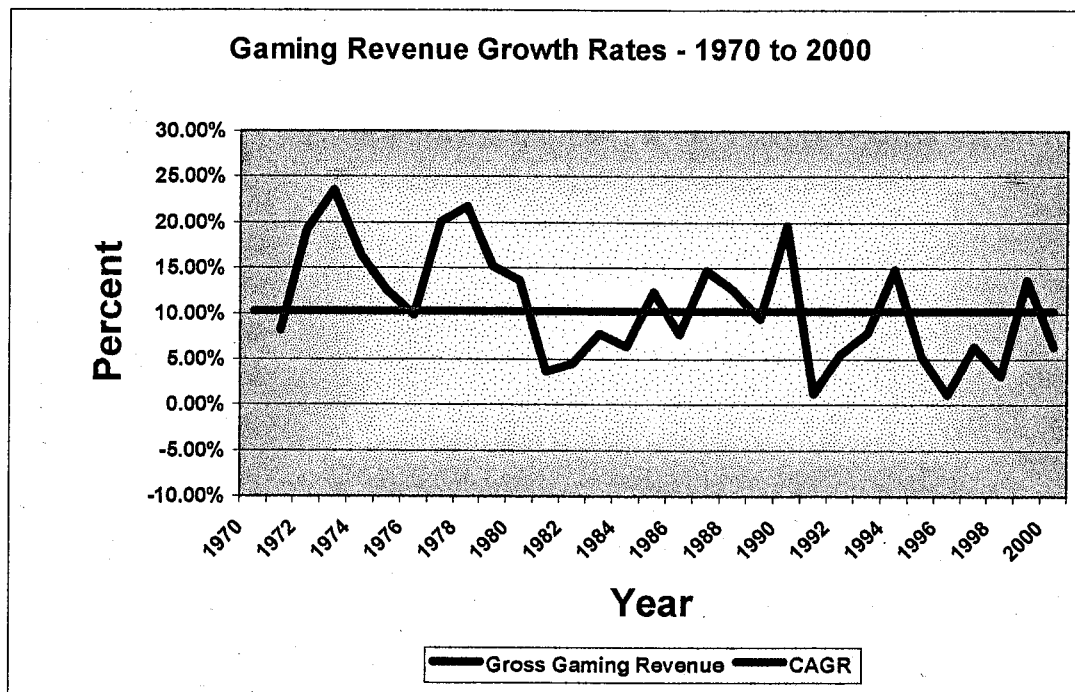
In an attempt to address the limitations identified with intended behavior research, Easterling, Morwitz, and Kunreuther modified a model that forecasts the propensity of consumers to purchase goods using reported intent (Kunreuther 1990). This model was designed to produce a first cut estimation of the proportion that will engage in a specific behavior based on intent. This model attempts to measure the degree of bias in expressed intent versus actual behavior. The model is dependent on having data on intended behavior and actual behavior to calculate the rate of bias. Kunreuther, Morwitz, and Easterling applied this model to the convention planning survey (Kunreuther 1990). This model indicated that even under the scenario of no incidents as result of the repository being constructed, 12% to 36% of convention planners would choose somewhere other than Las Vegas to hold a convention. Under the scenario of multiple transportation accidents, the number of convention planners that would choose sites other than Las Vegas grows to between 47% and 80%. While these ranges are quite large, their direction indicates that the repository is likely to have some level of adverse impact on the tourism sector, and perhaps significant impacts.

### **2.1.3 Historical Experience**

Between 1970 and 2000, gaming revenues in Clark County have grown each year at a compound annual growth rate (CAGR) of 10.28% (Figure 9). During this period, however, there have been fifteen years when the growth rate has declined year-over-year (1974-1976; 1979 – 1981; 1984; 1986; 1988 – 1989; 1991; 1995 – 1996; 1998; and 2000). During the years where there have been declines in year-over-year growth rates, the average downturn

has been 5.72%. During this same period, there have been fifteen years when the annual growth rate was lower than the CAGR. During these years (1976; 1981 – 1984; 1986; 1989; 1991 – 1993; 1995 – 1998; and 2000), the decline from the CAGR averaged 4.53%. What these figures indicate is that while gaming revenues have consistently grown over the last three decades, the gaming industry is still subject to fluctuations in the rate of growth.

**Figure 9 Gaming Revenue Growth Rates - 1970 - 2000**



## 2.2 Analogous Case Literature

While a robust literature has been developed linking natural and technological hazards with stigma-induced impacts, most of this literature has focused on measuring the extent of impacts from a single hazard event or a facility at a specific location or alternately describing a framework of the factors that influence stigma-induced impacts. There is limited quantitative research that can be used as a framework for assessing potential impacts. However, there is documentation within the tourism records that describe the range of

economic impacts on the tourism sector resulting from a natural or technological hazard event.

Four events emerge from this literature describing the economic impacts on tourism from a radioactive incident: Three Mile Island, Pennsylvania; Goiania, Brazil; Ibarki Prefecture, Japan; and Dounreay, Scotland. The March 1979 accident at the Three Mile Island (TMI) nuclear reactor near Harrisburg, Pennsylvania is most often associated with the changing view of the American public toward nuclear power (Rosa and Freudenburg 1993). Prior, to the accident, nuclear energy was viewed by many as a cheap, clean, renewable source of electricity. The media amplification associated with the TMI incident is frequently used as shorthand to describe the amplification of risk that can occur after a hazard event. In the six weeks following the accident, tourism losses reached \$5 million according to a report by the Pennsylvania's Governors Office of Policy and Planning (SAIC 1985). This report indicates that the downturn associated with TMI was of short duration but independent detailed studies of the economic impacts on the tourism economy were not conducted.

In September of 1987, in Goiania, Brazil, scrap metal and paper scavengers came upon a machine used to treat cancer patients in an abandoned clinic. They dismantled the machine and extracted a stainless steel cylinder, which they then took to a junkyard and broke open with a sledgehammer (Petterson 1988). They removed a one-inch cube of platinum capsule, which they cut in half releasing 100 grams of luminescent material. The scavengers and children playing in the junkyard were attracted to the glowing material, played with it, and took it home to show their friends. Subsequently, a six-year old and three others have died; several others have been treated for external lesions; one man has had his arm amputated; and 249 cases of contamination have been linked to this event. A variety of

adverse economic consequences have also been linked to this event including a 50% drop in agricultural revenues and a 40% drop in manufacturing revenues as products from the area were stigmatized. Devastating stigma-induced impacts were also experienced by the areas leading tourist attraction, a group of hot springs known as Caldas Novas, where occupancy rates dropped 35% in the six weeks following the incident during a period when advanced payments for reservations are usually required. In Goiania itself, hotel occupancy fell 40% during this period, and at least four major conventions were canceled. One major hotel lost 1,000 reservations resulting in a 60% drop in occupancy.

More recently, a nuclear power plant accident at the Tokaimura facility in Ibaraki Prefecture, Japan has seriously damaged the areas tourism sector resulting in the bankruptcy of the Seaside Hotel Mannenya in Hitachinaka (The Associated Press November 26, 1999). Several other hotels and inns in Ibaraki have asked for the Japanese government to provide preferential loans to compensate for the 270 million yen lost in October 1999 alone. A survey conducted by the Ibaraki prefecture government indicated that damage to tourism was 1.47 billion yen and that tax revenues had dropped 769 million yen (The Daily Yomiuri November 25, 1999). By July 2000 a full 10 months after the accident, the Citizen's Nuclear Information Center (CNIC) reported, "tourism and real estate prices had not recovered" (CNIC 2000).

Spent fuel that has leaked radioactive particles has been reported as adversely impacting tourism areas in Caithness, Scotland (The Independent July 17, 2000; July 18, 2000; and May 7, 2001). The owner of a 10,000-acre estate that includes the Sandside Bay beach near the Dounreay nuclear power plant is considering legal action against the United Kingdom's Atomic Energy Authority to gain compensation for the adverse economic impacts

that have resulted from repeated incidents of radioactive contaminants being found in the sand along the beach.

Other hazard events have also been associated with significant downturns in tourism. Most recently, the outbreak of foot-and-mouth disease in Britain has resulted in tourism losses of “£200 million and 200 jobs each week” (Independent April 6, 2001). The Culture Secretary Chris Smith reported to the British Cabinet that tourism revenues would be down 10% nationwide for the year as a result of the stigma associated with the outbreak and that in the “worst-hit parts of Devon and Cumbria as much as 80% down” (Independent April 6 2001).

Tourism revenues represent 2% of the United Kingdom’s Gross Domestic Product (GDP), with rural tourism representing less than 1% (March 29, 2001). Nevertheless, tourism industry representatives indicate that they expect losses to reach over £5 billion between April and September 2001 as a result of £3 million of lost bookings from abroad and another £2 million of lost domestic bookings. The United Kingdom’s Tourism Minister Ms. Janet Anderson indicated, “that it could take up to three years for the tourist industry to recover” (Independent April 15, 2001). In response, the British government has begun a £6 million tourism marketing campaign and had to establish a “£120 million low interest loan program to aide small businesses facing closure because of the crisis in tourism” (Independent April 6, 2001; CNN.com April 9, 2001). The tourism downturn has also resulted in a decline in air traffic between England and Ireland by 8.6% and between England and North America by 3.6% for the first quarter of this year (year-over-year) (Independent April 13, 2001). Over the same period, traffic in the Eurotunnel declined 10% (Independent April 13, 2001).

“Tourism is the top foreign exchange earner among the service industries in Hong Kong, attracting 11.7 million visitors” in 1996. Tourism employs about 12% of the workforce and represents 8% of Hong Kong’s GDP (Hong Kong Monthly Digest of Statistics 1997). In 1997 and 1998, a protracted downturn was experienced in Hong Kong’s tourism sector resulting in a 17.4% decline in annual tourism revenues (Morgan Stanley October 8, 1997). Several factors were identified as contributing to the protracted downturn. Among these were changing perceptions of the territory as it has transitioned from a “colonial atmosphere” to Chinese rule; air pollution and an avian flu virus; as well as, “confusion surrounding the closing of Kai Tak International Airport and the opening of the new Chek Lap Kok airport” (CMS February 2000). In response to these downturns, tourism operators have lowered prices and the Government of Hong Kong has initiated several programs to increase tourism. The government programs include; a \$50 million program to “examine the feasibility of developing new tourist attractions”; a \$100 million International Events Fund to provide seed money for staging international events during off-peak periods; studies of convention facilities and tourism manpower demand, supply, and training needs (Hong Kong Monthly Digest of Statistics 1997).

Closer to home, the May 1980 eruption of Mount St. Helens after 123 years of dormancy resulted in a 30% downturn in the areas tourism sector effecting an extended region from Washington into Oregon, and Idaho (Business Week July 21, 1980). A study of the tourism impacts from the volcano’s eruption by Peter Murphy and Robin Bayley found that “media coverage intensified concerns regarding safety effects of the devastation” (Murphy and Bayley 1986).



More recently, the National Federation of Venezuelan Hotels reported that the December 1999 floods and mudslides had “devastated” the Caribbean coast and “taken a heavy toll on the country’s tourism industry, resulting in a “60% decline so far this year” (CNN March 15, 2000). Hugo Arriojas the Hotel federation president indicated that hotel occupancy rates were down 35%. The owner of a small hotel in Chichiriviche popular tourist destination 160 miles northwest of Caracas stated that although the area had been spared from the floods, the downturn in tourism was “decimating the livelihood of the town’s 5,000 inhabitants, who have always relied on tourism” (CNN March 15, 2000).

Smaller and shorter duration downturns in tourism have also been reported. For example, forest fires in northeastern Wyoming in the summer of 1999, resulted in a 2.4% decline in the number of visitations to the popular Devil’s Tower National Monument. Similarly, the Grand Teton Lodge Company that represents three facilities near Jackson Hole reported that they had received 700 cancellations in a three-week period despite the fact that the “nearest fire was six miles away, across Jenny Lake,” and none of these facilities were threatened (Wyoming Business Report 2000). Other hotels in the area reported that occupancy was down 7 – 10%, while Yellowstone National Park also reported that visitations declined 8% in July and 17% in August, during the peak season. The General Manager for Yellowstone National Park indicated that the downturn was amplified by reporters using Old Faithful Lodge as a headquarters when they filed stories about a fire at Red Lodge, Montana which is located hours away. He said, “It is difficult to correct public perception about actual fire danger”...and “add on to that the frustration of exaggerated or sensationalized reports. It’s challenging from time to time. You find yourself helpless to turn things around” (Wyoming Business Report 2000). In another instance, in Pembrookshire, Wales, despite a

successful clean up from a 1996 oil spill by the Sea Empress; a study indicates that tourism revenues declined by 1.25% over the next year (National Assembly for Wales Sea Empress Environmental Evaluation Committee 1997). The study found that one in five of those surveyed who had considered visiting the area ranked the oil spill as a “significant” factor leading to their decision not to visit the area.

### 3.0 CURRENT GAMING INDUSTRY PROFILES

The State of Nevada Gaming Control Board reported that 243 casinos statewide generated \$17.56 billion for fiscal year 2000. Over 82 percent of Nevada's gaming revenues are generated in Clark County. In fact, almost two-thirds of these revenues are generated from the fifty-five casinos along the "Strip" and the downtown area of Las Vegas (Nevada Gaming Abstract 2000).

**Table 1 FY 2000 Gaming Revenues**

	State of Nevada	Clark County	"Strip"	Downtown
<b>Total Revenues</b>	\$17,557,300,288	\$14,446,480,046	\$10,195,669,758	\$4,250,810,288
<b>Cost of Sales</b>	1,491,597,082	1,119,925,990	700,152,329	418,467,671
<b>Gross Margin</b>	16,065,703,206	13,326,554,056	9,495,517,428	3,832,342,617
<b>Net Income (Net Loss)</b>	496,841,799	\$326,943,162	185,450,419	\$140,549,618
<b>Number of Locations</b>	243	145	37	18

Source: Nevada Gaming Control Board 2000

Of the 243 casinos regulated by the State Gaming Control Board, twenty-five publicly held corporations own 74 casinos grossing \$12 million or more in gaming revenues. This represents 79.5% of the total reported gaming revenues in Nevada (Nevada Gaming Control Board 2000).

#### 3.1 "Strip" Casinos

For reporting purposes, the Nevada State Gaming Control Board groups casinos by size. Along the "Strip", there are fifteen casinos with gaming revenues between \$1 million and \$72 million and another twenty-two casinos with revenues over \$72 million (Table 2). Within the last three years, five major new destination resort casinos have opened along the

“Strip.” These include the Bellagio (October 1998), Mandalay Bay (March 1999), The Venetian (May 1999), Paris (September 1999), and The Aladdin (August 2000). These resorts contributed to strong revenue growth, as well as growth in visitation and convention attendance during 1999 and 2000 (Ader et. al 2000). This growth is consistent with the last major expansion of casinos along the Las Vegas “Strip” in 1994 (Ader et al. 2000).

**Table 2 Las Vegas “Strip” Gaming Revenues - FY 2000**

<b>REVENUES</b>	<b>\$1 to \$72 million</b>	<b>Over \$72 million</b>
Gaming	403,444,841	4,280,284,630
Rooms	185,402,458	2,195,041,388
Food	96,516,496	1,161,917,584
Beverage	57,745,712	442,474,862
Other	106,136,035	1,266,705,752
<b>TOTAL REVENUE</b>	<b>849,245,542</b>	<b>9,346,424,216</b>
<b>COST OF SALES</b>	<b>74,103,906</b>	<b>626,048,423</b>
<b>GROSS MARGIN</b>	<b>775,141,636</b>	<b>8,720,375,793</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>459,343,046</b>	<b>4,938,852,925</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>315,798,590</b>	<b>3,781,522,868</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	19,933,112	169,552,653
Bad Debt Expense	546,803	3,987,914
Complimentary Expense (not reported in departments)	5,229,395	81,914,649
Depreciation - Buildings	25,582,534	268,353,168
Depreciation and Amortization - Other	54,462,007	483,462,461
Energy Expense (electricity, gas, etc.)	15,842,419	114,963,278
Equipment Rental or Lease	978,721	7,337,994
Interest Expense	73,095,266	650,718,088
Music and Entertainment	18,290,613	154,042,504
Payroll Taxes	4,369,269	40,429,542
Payroll - Employee Benefits	15,207,996	127,157,021
Payroll - Officers	4,634,890	12,459,717
Payroll - Other Employees	43,023,895	467,165,576
Rent of Premises	32,704,859	56,560,937
Taxes - Real Estate	10,068,290	102,955,057
Taxes and Licenses - Other	855,617	10,824,380
Utilities (Other than Energy Expense)	3,830,640	32,367,761
Other General and Administrative Expenses	116,613,240	682,348,773
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>445,269,566</b>	<b>3,466,601,473</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-129,470,976</b>	<b>314,921,395</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>22</b>

Source: Nevada Gaming Abstract 2000

The addition of five major destination resorts has contributed to Las Vegas becoming “a global resort destination,” that is a magnet for “upper mid-market to luxury customers” as well as, “independent nationally recognized restaurateurs”(Ader 2000).

### **3.1.1 “Strip” Casinos with Revenues of \$1 - \$72 million**

Despite an average occupancy rate of 90.36% for casinos within the \$1 million to \$72 million group along the “Strip”, the high fixed costs associated with the area results in an overall net loss before federal income taxes and extraordinary items of \$129.5 million for this group of casinos (Table 2)(Nevada State Gaming Control Board 2000). For the average casino within this group, total gaming revenues exceed \$56.6 million but net income before federal income taxes and extraordinary items results in a loss of \$8.6 million (Appendix A-1).

### **3.1.2 “Strip” Casinos with Revenues over \$72 million**

In contrast, the twenty-two casinos along the “Strip” that generate over \$72 million in gaming revenues have total revenues of \$9.35 billion with a net income before federal income taxes and extraordinary items of \$314.9 million (Table 2)(Nevada State Gaming Control Board 2000). Gaming revenues for the average larger casino with revenues over \$72 million and net income before federal income taxes and extraordinary items for the twenty-two larger casinos on the “Strip” are \$424.8 million and \$14.3 million, respectively (Appendix A-1). The occupancy rates for this group of casinos are also higher than the smaller casinos along the “Strip” at 93.37% (Nevada State Gaming Control Board 2000). Average pit revenue per room (\$97.94 vs. \$44.02) and average room rates (\$101.10 vs. \$65.06) are also much higher than for the smaller “Strip” casinos (Nevada State Gaming Control Board 2000).

### 3.2 Downtown Casinos

There are five casinos in downtown Las Vegas with gaming revenues between \$1 million and \$12 million and another thirteen casinos with gaming revenues over \$12 million according to the Nevada State Gaming Control Board (Table 3).

**Table 3 Downtown Gaming Revenues - FY 2000**

<b>REVENUES</b>	<b>\$1 to \$12 million</b>	<b>Over \$12 million</b>
Gaming	30,400,626	639,844,719
Rooms	3,391,201	141,163,347
Food	6,481,367	144,229,844
Beverage	3,964,929	48,113,461
Other	2,357,403	77,003,301
<b>TOTAL REVENUE</b>	<b>46,595,526</b>	<b>1,050,354,672</b>
<b>COST OF SALES</b>	<b>6,075,107</b>	<b>90,475,824</b>
<b>GROSS MARGIN</b>	<b>40,520,419</b>	<b>959,878,848</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>25,854,697</b>	<b>603,412,096</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>14,665,722</b>	<b>356,466,752</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	759,009	4,439,881
Bad Debt Expense	9,102	17,116
Complimentary Expense (not reported in departments)	54,312	31,087,818
Depreciation - Buildings	463,579	23,168,896
Depreciation and Amortization - Other	2,162,736	39,879,560
Energy Expense (electricity, gas, etc.)	775,255	20,326,081
Equipment Rental or Lease	359,886	413,178
Interest Expense	433,881	33,133,652
Music and Entertainment	105,603	874,984
Payroll Taxes	273,309	6,368,134
Payroll - Employee Benefits	1,098,926	17,009,413
Payroll - Officers	0	1,936,511
Payroll - Other Employees	3,053,132	69,902,879
Rent of Premises	941,885	24,897,877
Taxes - Real Estate	227,233	8,095,808
Taxes and Licenses - Other	203,140	3,931,351
Utilities (Other than Energy Expense)	461,730	3,796,577
Other General and Administrative Expenses	1,968,739	39,266,683
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>13,351,457</b>	<b>328,546,399</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>1,314,265</b>	<b>27,920,353</b>
<b>Number of Locations Represented</b>	<b>5</b>	<b>13</b>

Source: Nevada Gaming Abstract 2000

In contrast to the “Strip” casinos, the downtown Las Vegas casinos have not benefited from the increased visitation to the Valley. In fact, over the last seven years, gaming revenues have been either flat or lower, with the exception of 1996, which was the year that Main Street Station opened (Ader et al 2000).

### **3.2.1 Small Casinos**

The five downtown casinos with gaming revenues between \$1 million and \$12 million generated a net income before federal income taxes and extraordinary items of \$1.3 million with the average net income before federal income taxes and extraordinary items of approximately \$263 thousand (Table 3 and Appendix A-2)(Nevada State Gaming Control Board 2000). Occupancy rates for these smaller casinos are substantially lower than those found on the “Strip” at 82.93%.

### **3.2.2 Large Casinos**

The thirteen downtown casinos with revenues over \$12 million generated a net income before federal income taxes and extraordinary items of \$27.9 million (Table 3) with an average of \$2.15 million per casino in fiscal year 2000 (Nevada State Gaming Control Board 2000) (Appendix A-2). These larger downtown casinos during fiscal year 2000 had an occupancy rate similar to the smaller casinos along the “Strip” (90.86% vs. 90.36%), which is substantially higher than the smaller downtown casinos (82.93%) but less than the larger destination resorts along the “Strip” (93.37%). Average room rates, however, were much lower in the downtown area ranging from an average of approximately \$23 to \$45 than along the “Strip” where they averaged \$65 to \$101 (Ader et al 2000).

The downtown casinos have been losing market share to the “Strip” casinos over the last decade (Ader 2000). These casinos are also considered most vulnerable to Native American gaming in California since they have historically attracted a large share of their visitations from California. In fact, an analysis of visitor demographics by UNLV indicates that 30% of all Las Vegas visitations originate in California (UNLV 2001).



## **4.0 GAMING INDUSTRY IMPACTS**

### **4.1 Scenario Descriptions**

As noted in the introduction, the range of impacts discussed in this report are based on three scenarios of what could occur if the DOE proceeds to ship HLW through Clark County in proximity to the State of Nevada's primary economic sector. These estimates of impacts should not be viewed as forecasts of what will likely occur, but instead as estimates of the range and magnitude of gaming industry impacts that may be associated with stigma-induced downturns in tourism. The first scenario is based on the average year-over-year downturn over the past thirty years (5.72%) and the average variance from the 30-year CAGR for the years when growth rates were lower than the CAGR (4.53%). Since these levels of downturns in growth rates have occurred fifteen times over the last thirty years, it is not unreasonable to assume the possibility of negative publicity associated with the commencement of the shipping campaign could generate an actual revenue loss of this magnitude.

The second scenario is comprised of a 10 % to 15% downturn in revenues for a period of at least one year. The current downturn throughout the United Kingdom resulting from the current outbreak of foot-and-mouth disease has resulted in a 10% downturn nationwide, although the downturn in the hardest hit rural areas of Devon and Cumbria has been reported as high as 80% (The Independent April 2001). During 1997 –1998, Hong Kong experienced tourism revenue declines of 17.4% as the result of multiple factors. Among the factors leading to the tourism downturn in Hong Kong were increasing concerns about the territory's air pollution, congestion, an avian flu virus, as well as a changing perception of the territory's identity subsequent to its transition to Chinese control (Ip, S., The Servicing Economy Newsletter).

The third scenario is also drawn from the literature that describes the impacts of natural and technological hazards on tourism. In this scenario, the downturn is of a substantially more significant size. Downturns in the tourism industry of 25% - 33% and even higher have been experienced as a result of both natural and man-made hazards. For example, flooding and mudslides in Venezuela during 1999 resulted in a 60% downturn in tourism. The Mount St. Helens volcanic eruption in 1980 resulted in a 30% decline in visitations that summer. Similar declines in visitations and tourism revenues were experienced along the Mediterranean after the hi-jacking of the Archille Lauro in 1985. The release of the radioactive material cesium from a lead canister in Goiania, Brazil, in 1987 resulted in the death of a young boy and three others, as well as, the contamination of over 249 persons, 54 of which required hospitalization. This release discussed above resulted in a 40% decline in the immediate period after the event was discovered (Neifert, 1987).

While none of the tourism downturns described above is directly analogous with what may occur in Clark County as a result of the shipment of HLW, these events demonstrate that natural and man-made events can and have significantly affected tourism. Further, downturns in the national economy, as well as, other externalities including energy shortages have been shown to adversely influence growth rates within Clark County's tourism industry. To date there is no direct analogous experience that can be used to precisely estimate the range of impacts that may be experienced if HLW shipments commence. A recent study of property values along the transportation corridor, however, does provide indirect support for the contention that a serious accident involving a HLW truck that resulted in the release of radiation could result in a downturn on tourism revenues of the magnitude suggested in scenario 3. In the property value study, Clark County appraisers and lenders were asked to

estimate the percent diminution that could occur along the transportation corridor in the event of a serious accident involving a HLW truck. The appraisers and lenders surveyed, indicated that commercial property values along the transportation corridor could decline 22% to 31.88% under these circumstances. Thus, the magnitude and range of diminution suggested by scenario 3, seems to provide a reasonable proxy for what could occur if there was a serious accident involving a HLW truck that resulted in the release of radiation.

#### **4.2 Scenario 1**

As noted above, there has been fifteen times over the last thirty years when growth rates have declined on average 5.72%. There has also been 15 years when the rate of growth has been less than the CAGR for the thirty-year period. During these fifteen years, the variance from the CAGR has averaged 4.53%. Applying these rates to actual fiscal year 2000 gaming revenues for "Strip" properties with gaming revenues of \$1 million to \$72 million would result in a net loss before federal income taxes and extraordinary items growing from a \$129.5 million (FY 2000) to a net loss of between \$136.4 million to \$138.2 million (Table 4).

For the larger "Strip" casinos with revenues over \$72 million, the impacts are even more dramatic. Utilizing actual fiscal year 2000 revenue, the downturn in revenues from scenario 1 would result in revenues dropping to \$196.2 million to \$165.0 million before federal income taxes and extraordinary items over fiscal year 2000 revenues (Table 5). In contrast, without this downturn, actual fiscal year 2000 net income before federal income taxes and extraordinary items was \$314.9 million. This means that a 4.53% - 5.72% loss in revenue for the twenty-two largest casinos along the "Strip" could result in the loss of \$118.8 million to \$150.0 million.

**Table 4 Scenario 1 Gaming Revenue Impacts for "Strip" Casinos with Revenues of \$1 to \$72 million – FY 2000**

<b>REVENUES</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	385,168,790	380,367,796
Rooms	177,003,727	174,797,437
Food	92,144,299	90,995,752
Beverage	55,129,831	54,442,657
Other	101,328,073	100,065,054
<b>TOTAL REVENUE</b>	<b>810,774,719</b>	<b>800,668,697</b>
<b>COST OF SALES</b>	<b>70,746,999</b>	<b>69,865,163</b>
<b>GROSS MARGIN</b>	<b>740,027,720</b>	<b>730,803,534</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>438,534,806</b>	<b>433,068,624</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>301,492,914</b>	<b>297,734,911</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	20,836,082	21,073,286
Bad Debt Expense	546,803	546,803
Complimentary Expense (not reported in departments)	5,229,395	5,229,395
Depreciation - Buildings	25,582,534	25,582,534
Depreciation and Amortization - Other	54,462,007	54,462,007
Energy Expense (electricity, gas, etc.)	15,842,419	15,842,419
Equipment Rental or Lease	978,721	978,721
Interest Expense	73,095,266	73,095,266
Music and Entertainment	18,290,613	18,290,613
Payroll Taxes	4,171,341	4,119,347
Payroll - Employee Benefits	14,519,074	14,338,099
Payroll - Officers	4,424,929	4,369,774
Payroll - Other Employees	41,074,913	40,562,928
Rent of Premises	32,704,859	32,704,859
Taxes - Real Estate	10,068,290	10,068,290
Taxes and Licenses - Other	855,617	855,617
Utilities (Other than Energy Expense)	3,830,640	3,830,640
Other General and Administrative Expenses	111,330,660	109,942,963
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>437,844,163</b>	<b>435,893,561</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-136,351,249</b>	<b>-138,158,650</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>15</b>

**Table 5 Scenario 1 Gaming Revenue Impacts for "Strip" Casinos with Revenues over \$72 million – FY 2000**

<b>REVENUES</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	4,086,387,736	4,035,452,349
Rooms	2,095,606,013	2,069,485,021
Food	1,109,282,717	1,095,455,898
Beverage	422,430,751	417,165,300
Other	1,209,323,981	1,194,250,183
<b>TOTAL REVENUE</b>	<b>8,923,031,199</b>	<b>8,811,808,751</b>
<b>COST OF SALES</b>	<b>597,688,429</b>	<b>590,238,453</b>
<b>GROSS MARGIN</b>	<b>8,325,342,770</b>	<b>8,221,570,298</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>4,715,122,887</b>	<b>4,656,350,538</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>3,610,219,882</b>	<b>3,565,219,760</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	177,233,388	179,251,065
Bad Debt Expense	3,987,914	3,987,914
Complimentary Expense (not reported in departments)	81,914,649	81,914,649
Depreciation - Buildings	268,353,168	268,353,168
Depreciation and Amortization - Other	483,462,461	483,462,461
Energy Expense (electricity, gas, etc.)	114,963,278	114,963,278
Equipment Rental or Lease	7,337,994	7,337,994
Interest Expense	650,718,088	650,718,088
Music and Entertainment	154,042,504	154,042,504
Payroll Taxes	38,598,084	38,116,972
Payroll - Employee Benefits	121,396,808	119,883,639
Payroll - Officers	11,895,292	11,747,021
Payroll - Other Employees	446,002,975	440,443,705
Rent of Premises	56,560,937	56,560,937
Taxes - Real Estate	102,955,057	102,955,057
Taxes and Licenses - Other	10,824,380	10,824,380
Utilities (Other than Energy Expense)	32,367,761	32,367,761
Other General and Administrative Expenses	651,438,374	643,318,423
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>3,414,053,112</b>	<b>3,400,249,017</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>196,166,770</b>	<b>164,970,743</b>
<b>Number of Locations Represented</b>	<b>22</b>	<b>22</b>

For the five smaller downtown casinos with revenues of \$1 million to \$12 million applying scenario 1 to the actual revenues for fiscal year 2000 results in the net income before federal income taxes and extraordinary items declining from \$1.3 million to between \$798 thousand and \$905 thousand (Table 6). For the thirteen larger downtown casinos with

revenue over \$12 million, net income would decline by \$10.3 million - \$13 million resulting in a net income before federal income taxes and extraordinary items of \$15 million to \$17.7 million (Table 7).

**Table 6 Scenario 1 Gaming Revenue Impacts for Downtown Casinos with Revenues of \$1 to \$12 million – FY 2000**

<b>REVENUES</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	29,023,478	28,661,710
Rooms	3,237,580	3,197,224
Food	6,187,761	6,110,633
Beverage	3,785,318	3,738,135
Other	2,250,613	2,222,560
<b>TOTAL REVENUE</b>	<b>44,484,749</b>	<b>43,930,262</b>
<b>COST OF SALES</b>	<b>5,799,905</b>	<b>5,727,611</b>
<b>GROSS MARGIN</b>	<b>38,684,844</b>	<b>38,202,651</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>24,683,479</b>	<b>24,375,808</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>14,001,365</b>	<b>13,826,843</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	793,392	802,424
Bad Debt Expense	9,102	9,102
Complimentary Expense (not reported in departments)	54,312	54,312
Depreciation - Buildings	463,579	463,579
Depreciation and Amortization - Other	2,162,736	2,162,736
Energy Expense (electricity, gas, etc.)	775,255	775,255
Equipment Rental or Lease	359,886	359,886
Interest Expense	433,881	433,881
Music and Entertainment	105,603	105,603
Payroll Taxes	260,928	257,676
Payroll - Employee Benefits	1,049,145	1,036,067
Payroll - Officers	0	0
Payroll - Other Employees	2,914,825	2,878,493
Rent of Premises	941,885	941,885
Taxes - Real Estate	227,233	227,233
Taxes and Licenses - Other	203,140	203,140
Utilities (Other than Energy Expense)	461,730	461,730
Other General and Administrative Expenses	1,879,555	1,856,127
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>13,096,187</b>	<b>13,029,129</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>905,178</b>	<b>797,713</b>
<b>Number of Locations Represented</b>	<b>5</b>	<b>5</b>

**Table 7 Scenario 1 Gaming Revenue Impacts for Downtown Casinos with Revenues over \$12 million – FY 2000**

<b>REVENUES</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	610,859,753	603,245,601
Rooms	134,768,647	133,088,804
Food	137,696,232	135,979,897
Beverage	45,933,921	45,361,371
Other	73,515,051	72,598,712
<b>TOTAL REVENUE</b>	<b>1,002,773,605</b>	<b>990,274,385</b>
<b>COST OF SALES</b>	<b>86,377,269</b>	<b>85,300,607</b>
<b>GROSS MARGIN</b>	<b>916,396,336</b>	<b>904,973,778</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>576,077,528</b>	<b>568,896,924</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>340,318,808</b>	<b>336,076,854</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	4,641,008	4,693,842
Bad Debt Expense	17,116	17,116
Complimentary Expense (not reported in departments)	31,087,818	31,087,818
Depreciation - Buildings	23,168,896	23,168,896
Depreciation and Amortization - Other	39,879,560	39,879,560
Energy Expense (electricity, gas, etc.)	20,326,081	20,326,081
Equipment Rental or Lease	413,178	413,178
Interest Expense	33,133,652	33,133,652
Music and Entertainment	874,984	874,984
Payroll Taxes	6,079,658	6,003,877
Payroll - Employee Benefits	16,238,887	16,036,475
Payroll - Officers	1,848,787	1,825,743
Payroll - Other Employees	66,736,279	65,904,434
Rent of Premises	24,897,877	24,897,877
Taxes - Real Estate	8,095,808	8,095,808
Taxes and Licenses - Other	3,931,351	3,931,351
Utilities (Other than Energy Expense)	3,796,577	3,796,577
Other General and Administrative Expenses	37,487,902	37,020,629
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>322,655,418</b>	<b>321,107,897</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>17,663,391</b>	<b>14,968,957</b>
<b>Number of Locations Represented</b>	<b>13</b>	<b>13</b>

### 4.3 Scenario 2

As noted above, scenario 2 assumes a loss in revenues of 10% to 15% for the duration of one year. For the 15 smaller casinos with revenues of \$1 million to \$72 million along the "Strip" a downturn of 10% -15% would result in a net loss before federal income taxes and extraordinary items of \$144.7 million - \$152.3 million (Table 8). This is a further decline of

\$15.2 million to \$22.8 million from the baseline fiscal year 2000 revenues. For the twenty-two larger casinos along the “Strip” with gaming revenues over \$72 million, a 10% downturn would result in a net income before federal income taxes and extraordinary items of \$52.8 million (Table 9). A 15% downturn would result in a net loss before federal income taxes and extraordinary items of \$78.9 (Table 9). This is a decrease of \$262.2 million to \$393.2 million from fiscal year 2000 net income levels.

For the five downtown casinos with gaming revenues under \$12 million, a 10% downturn in revenues would result in a net income before federal income taxes and extraordinary items of \$411 thousand and a 15% downturn would result in a net loss before federal income taxes and extraordinary items of over forty thousand (Table 10). This is a decrease of \$903 thousand to \$1.3 million from the \$1.3 million in net income before federal income taxes and extraordinary items generated in fiscal year 2000.

For the thirteen larger downtown casinos with revenues over \$12 million, a 10% rate of a downturn would result in a net income before federal income taxes and extraordinary items of \$5.3 million, while a 15% downturn in revenues would result in a net loss before federal income taxes and extraordinary items of \$6 million (Table 11). These rates of net income (loss) are significant declines from the \$27.9 million in net income before federal income taxes and extraordinary items that was generated by these casinos in fiscal year 2000.



**Table 8 Scenario 2 Gaming Revenue Impacts for "Strip" Casinos with Revenues of \$1 to \$72 million – FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	363,100,357	342,928,115
Rooms	166,862,212	157,592,089
Food	86,864,846	82,039,022
Beverage	51,971,141	49,083,855
Other	95,522,432	90,215,630
<b>TOTAL REVENUE</b>	<b>764,320,988</b>	<b>721,858,711</b>
<b>COST OF SALES</b>	<b>66,693,515</b>	<b>62,988,320</b>
<b>GROSS MARGIN</b>	<b>697,627,472</b>	<b>658,870,391</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>413,408,741</b>	<b>390,441,589</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>284,218,731</b>	<b>268,428,802</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	21,926,423	22,923,079
Bad Debt Expense	546,803	546,803
Complimentary Expense (not reported in departments)	5,229,395	5,229,395
Depreciation - Buildings	25,582,534	25,582,534
Depreciation and Amortization - Other	54,462,007	54,462,007
Energy Expense (electricity, gas, etc.)	15,842,419	15,842,419
Equipment Rental or Lease	978,721	978,721
Interest Expense	73,095,266	73,095,266
Music and Entertainment	18,290,613	18,290,613
Payroll Taxes	3,932,342	3,713,879
Payroll - Employee Benefits	13,687,196	12,926,797
Payroll - Officers	4,171,401	3,939,657
Payroll - Other Employees	38,721,506	36,570,311
Rent of Premises	32,704,859	32,704,859
Taxes - Real Estate	10,068,290	10,068,290
Taxes and Licenses - Other	855,617	855,617
Utilities (Other than Energy Expense)	3,830,640	3,830,640
Other General and Administrative Expenses	104,951,916	99,121,254
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>428,877,948</b>	<b>420,682,139</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-144,659,217</b>	<b>-152,253,338</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>15</b>

**Table 9 Scenario 2 Gaming Revenue Impacts for "Strip" Casinos with Revenues over \$72 million – FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	3,852,256,167	3,638,241,936
Rooms	1,975,537,249	1,865,785,180
Food	1,045,725,826	987,629,946
Beverage	398,227,376	376,103,633
<b>Other</b>	<b>1,140,035,177</b>	<b>1,076,699,889</b>
<b>TOTAL REVENUE</b>	<b>8,411,781,794</b>	<b>7,944,460,584</b>
<b>COST OF SALES</b>	<b>563,443,581</b>	<b>532,141,160</b>
<b>GROSS MARGIN</b>	<b>7,848,338,214</b>	<b>7,412,319,424</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>4,444,967,633</b>	<b>4,198,024,986</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>3,403,370,581</b>	<b>3,214,294,438</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	186,507,918	194,985,551
Bad Debt Expense	3,987,914	3,987,914
Complimentary Expense (not reported in departments)	81,914,649	81,914,649
Depreciation - Buildings	268,353,168	268,353,168
Depreciation and Amortization - Other	483,462,461	483,462,461
Energy Expense (electricity, gas, etc.)	114,963,278	114,963,278
Equipment Rental or Lease	7,337,994	7,337,994
Interest Expense	650,718,088	650,718,088
Music and Entertainment	154,042,504	154,042,504
Payroll Taxes	36,386,588	34,365,111
Payroll - Employee Benefits	114,441,319	108,083,468
Payroll - Officers	11,213,745	10,590,759
Payroll - Other Employees	420,449,018	397,090,740
Rent of Premises	56,560,937	56,560,937
Taxes - Real Estate	102,955,057	102,955,057
Taxes and Licenses - Other	10,824,380	10,824,380
Utilities (Other than Energy Expense)	32,367,761	32,367,761
Other General and Administrative Expenses	614,113,896	579,996,457
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>3,350,600,675</b>	<b>3,292,600,277</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>52,769,906</b>	<b>-78,305,839</b>
<b>Number of Locations Represented</b>	<b>22</b>	<b>22</b>

**Table 10 Scenario 2 Gaming Revenue Impacts for Downtown Casinos with Revenues of \$1 to \$12 million – FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	27,360,563	25,840,532
Rooms	3,052,081	2,882,521
Food	5,833,230	5,509,162
Beverage	3,568,436	3,370,190
Other	2,121,663	2,003,793
<b>TOTAL REVENUE</b>	<b>41,935,973</b>	<b>39,606,197</b>
<b>COST OF SALES</b>	<b>5,467,596</b>	<b>5,163,841</b>
<b>GROSS MARGIN</b>	<b>36,468,377</b>	<b>34,442,356</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>23,269,227</b>	<b>21,976,492</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>13,199,150</b>	<b>12,465,864</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	834,910	872,860
Bad Debt Expense	9,102	9,102
Complimentary Expense (not reported in departments)	54,312	54,312
Depreciation - Buildings	463,579	463,579
Depreciation and Amortization - Other	2,162,736	2,162,736
Energy Expense (electricity, gas, etc.)	775,255	775,255
Equipment Rental or Lease	359,886	359,886
Interest Expense	433,881	433,881
Music and Entertainment	105,603	105,603
Payroll Taxes	245,978	232,313
Payroll - Employee Benefits	989,033	934,087
Payroll - Officers	0	0
Payroll - Other Employees	2,747,819	2,595,162
Rent of Premises	941,885	941,885
Taxes - Real Estate	227,233	227,233
Taxes and Licenses - Other	203,140	203,140
Utilities (Other than Energy Expense)	461,730	461,730
Other General and Administrative Expenses	1,771,865	1,673,428
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>12,787,947</b>	<b>12,506,192</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>411,203</b>	<b>-40,329</b>
<b>Number of Locations Represented</b>	<b>5</b>	<b>5</b>

**Table 11 Scenario 2 Gaming Revenue Impacts for Downtown Casinos with Revenues over \$12 million – FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	575,860,247	543,868,011
Rooms	127,047,012	119,988,845
Food	129,806,860	122,595,367
Beverage	43,302,115	40,896,442
Other	69,302,971	65,452,806
<b>TOTAL REVENUE</b>	<b>945,319,205</b>	<b>892,801,471</b>
<b>COST OF SALES</b>	<b>81,428,242</b>	<b>76,904,450</b>
<b>GROSS MARGIN</b>	<b>863,890,963</b>	<b>815,897,021</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>543,070,886</b>	<b>512,900,282</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>320,820,077</b>	<b>302,996,739</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	4,883,869	5,105,863
Bad Debt Expense	17,116	17,116
Complimentary Expense (not reported in departments)	31,087,818	31,087,818
Depreciation - Buildings	23,168,896	23,168,896
Depreciation and Amortization - Other	39,879,560	39,879,560
Energy Expense (electricity, gas, etc.)	20,326,081	20,326,081
Equipment Rental or Lease	413,178	413,178
Interest Expense	33,133,652	33,133,652
Music and Entertainment	874,984	874,984
Payroll Taxes	5,731,321	5,412,914
Payroll - Employee Benefits	15,308,472	14,458,001
Payroll - Officers	1,742,860	1,646,034
Payroll - Other Employees	62,912,591	59,417,447
Rent of Premises	24,897,877	24,897,877
Taxes - Real Estate	8,095,808	8,095,808
Taxes and Licenses - Other	3,931,351	3,931,351
Utilities (Other than Energy Expense)	3,796,577	3,796,577
Other General and Administrative Expenses	35,340,015	33,376,681
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>315,542,025</b>	<b>309,039,838</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>5,278,052</b>	<b>-6,043,099</b>
<b>Number of Locations Represented</b>	<b>13</b>	<b>13</b>

#### 4.4 Scenario 3

Scenario 3 estimates net income based on gaming revenue diminution of 25% to 33%. Under this scenario, the 15 smaller casinos along the "Strip" with revenues of \$1 million to \$72 million would generate a net loss before federal income taxes and extraordinary items of \$167.4 million to \$179.6 million (Table 12). This is in contrast with the \$129.5 million net loss before federal income taxes and extraordinary items that they experienced in fiscal year 2000.

The twenty-two larger casinos along the "Strip" with revenues over \$72 million would generate a net loss of between \$340.4 million to \$550.2 million before federal income taxes and extraordinary items if a 10% to 15% revenue loss is applied to fiscal year 2000 revenues levels, respectively (Table 13). Since fiscal year 2000 revenues resulted in a net income before federal income taxes and extraordinary items of \$314 million, this would mean a decline of \$665.4 million to \$965.1 million.

For the five smaller downtown casinos, a 25% loss in revenues would result in a net loss before federal income taxes and extraordinary items of nine hundred and forty-three thousand, while a 33% drop in revenues would result in a net loss before federal income taxes and extraordinary items of approximately \$1.7 million (Table 14). This is a significant decline from the \$1.3 million net income before federal income taxes and extraordinary items generated in fiscal year 2000.

For the thirteen larger downtown casinos with revenues over \$12 million, a 25% downturn in revenues would result in a \$28.7 million net loss before federal income taxes and extraordinary items, while a 33% revenue downturn would result in the net loss growing to

\$46.8 million (Table 15). This is a devastating decline from the \$27.9 million in net income before federal income taxes and extraordinary items generated in fiscal year 2000.

**Table 12 Scenario 3 Gaming Revenue Impacts for "Strip" Casinos with Revenues of \$1 to \$72 million – FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	302,583,631	270,308,043
Rooms	139,051,844	124,219,647
Food	72,387,372	64,666,052
Beverage	43,309,284	38,689,627
Other	79,602,026	71,111,143
<b>TOTAL REVENUE</b>	<b>636,934,157</b>	<b>568,994,513</b>
<b>COST OF SALES</b>	<b>55,577,930</b>	<b>49,649,617</b>
<b>GROSS MARGIN</b>	<b>581,356,227</b>	<b>519,344,896</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>344,507,285</b>	<b>307,759,841</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>236,848,943</b>	<b>211,585,055</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	24,916,390	26,511,039
Bad Debt Expense	546,803	546,803
Complimentary Expense (not reported in departments)	5,229,395	5,229,395
Depreciation - Buildings	25,582,534	25,582,534
Depreciation and Amortization - Other	54,462,007	54,462,007
Energy Expense (electricity, gas, etc.)	15,842,419	15,842,419
Equipment Rental or Lease	978,721	978,721
Interest Expense	73,095,266	73,095,266
Music and Entertainment	18,290,613	18,290,613
Payroll Taxes	3,276,952	2,927,410
Payroll - Employee Benefits	11,405,997	10,189,357
Payroll - Officers	3,476,168	3,105,376
Payroll - Other Employees	32,267,921	28,826,010
Rent of Premises	32,704,859	32,704,859
Taxes - Real Estate	10,068,290	10,068,290
Taxes and Licenses - Other	855,617	855,617
Utilities (Other than Energy Expense)	3,830,640	3,830,640
Other General and Administrative Expenses	87,459,930	78,130,871
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>404,290,522</b>	<b>391,177,227</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-167,441,579</b>	<b>-179,592,172</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>15</b>

**Table 13 Scenario 3 Gaming Revenue Impacts for "Strip" Casinos with Revenues over \$72 million – FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	3,210,213,473	2,867,790,702
Rooms	1,646,281,041	1,470,677,730
Food	871,438,188	778,484,781
Beverage	331,856,147	296,458,158
Other	950,029,314	848,692,854
<b>TOTAL REVENUE</b>	<b>7,009,818,162</b>	<b>6,262,104,225</b>
<b>COST OF SALES</b>	<b>469,536,317</b>	<b>419,452,443</b>
<b>GROSS MARGIN</b>	<b>6,540,281,845</b>	<b>5,842,651,781</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>3,704,139,694</b>	<b>3,309,031,460</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>2,836,142,151</b>	<b>2,533,620,322</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	211,940,816	225,505,028
Bad Debt Expense	3,987,914	3,987,914
Complimentary Expense (not reported in departments)	81,914,649	81,914,649
Depreciation - Buildings	268,353,168	268,353,168
Depreciation and Amortization - Other	483,462,461	483,462,461
Energy Expense (electricity, gas, etc.)	114,963,278	114,963,278
Equipment Rental or Lease	7,337,994	7,337,994
Interest Expense	650,718,088	650,718,088
Music and Entertainment	154,042,504	154,042,504
Payroll Taxes	30,322,157	27,087,793
Payroll - Employee Benefits	95,367,766	85,195,204
Payroll - Officers	9,344,788	8,348,010
Payroll - Other Employees	350,374,182	313,000,936
Rent of Premises	56,560,937	56,560,937
Taxes - Real Estate	102,955,057	102,955,057
Taxes and Licenses - Other	10,824,380	10,824,380
Utilities (Other than Energy Expense)	32,367,761	32,367,761
Other General and Administrative Expenses	511,761,580	457,173,678
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>3,176,599,479</b>	<b>3,083,798,841</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-340,457,328</b>	<b>-550,178,519</b>
<b>Number of Locations Represented</b>	<b>22</b>	<b>22</b>

**Table 14 Scenario 3 Gaming Revenue Impacts for Downtown Casinos with Revenues of \$1 to \$12 million – FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	22,800,470	20,368,419
Rooms	2,543,401	2,272,105
Food	4,861,025	4,342,516
Beverage	2,973,697	2,656,502
Other	1,768,052	1,579,460
<b>TOTAL REVENUE</b>	<b>34,946,645</b>	<b>31,219,002</b>
<b>COST OF SALES</b>	<b>4,556,330</b>	<b>4,070,322</b>
<b>GROSS MARGIN</b>	<b>30,390,314</b>	<b>27,148,681</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>19,391,023</b>	<b>17,322,647</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>10,999,292</b>	<b>9,826,034</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	948,761	1,009,482
Bad Debt Expense	9,102	9,102
Complimentary Expense (not reported in departments)	54,312	54,312
Depreciation - Buildings	463,579	463,579
Depreciation and Amortization - Other	2,162,736	2,162,736
Energy Expense (electricity, gas, etc.)	775,255	775,255
Equipment Rental or Lease	359,886	359,886
Interest Expense	433,881	433,881
Music and Entertainment	105,603	105,603
Payroll Taxes	204,982	183,117
Payroll - Employee Benefits	824,195	736,280
Payroll - Officers	0	0
Payroll - Other Employees	2,289,849	2,045,598
Rent of Premises	941,885	941,885
Taxes - Real Estate	227,233	227,233
Taxes and Licenses - Other	203,140	203,140
Utilities (Other than Energy Expense)	461,730	461,730
Other General and Administrative Expenses	1,476,554	1,319,055
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>11,942,683</b>	<b>11,491,875</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME</b>		
<b>TAXES AND EXTRAORDINARY ITEMS</b>	<b>-943,391</b>	<b>-1,665,841</b>
<b>Number of Locations Represented</b>	<b>5</b>	<b>5</b>



**Table 15 Scenario 3 Gaming Revenue Impacts for Downtown Casinos with Revenues over \$12 million – FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	479,883,539	428,695,962
Rooms	105,872,510	94,579,442
Food	108,172,383	96,633,995
Beverage	36,085,096	32,236,019
Other	57,752,476	51,592,212
<b>TOTAL REVENUE</b>	<b>787,766,004</b>	<b>703,737,630</b>
<b>COST OF SALES</b>	<b>67,856,868</b>	<b>60,618,802</b>
<b>GROSS MARGIN</b>	<b>719,909,136</b>	<b>643,118,828</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>452,559,072</b>	<b>404,286,104</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>267,350,064</b>	<b>238,832,724</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	5,549,851	5,905,042
Bad Debt Expense	17,116	17,116
Complimentary Expense (not reported in departments)	31,087,818	31,087,818
Depreciation - Buildings	23,168,896	23,168,896
Depreciation and Amortization - Other	39,879,560	39,879,560
Energy Expense (electricity, gas, etc.)	20,326,081	20,326,081
Equipment Rental or Lease	413,178	413,178
Interest Expense	33,133,652	33,133,652
Music and Entertainment	874,984	874,984
Payroll Taxes	4,776,101	4,266,650
Payroll - Employee Benefits	12,757,060	11,396,307
Payroll - Officers	1,452,383	1,297,462
Payroll - Other Employees	52,427,159	46,834,929
Rent of Premises	24,897,877	24,897,877
Taxes - Real Estate	8,095,808	8,095,808
Taxes and Licenses - Other	3,931,351	3,931,351
Utilities (Other than Energy Expense)	3,796,577	3,796,577
Other General and Administrative Expenses	29,450,012	26,308,678
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>296,035,464</b>	<b>285,631,965</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-28,685,400</b>	<b>-46,799,241</b>
<b>Number of Locations Represented</b>	<b>13</b>	<b>13</b>

## 5.0 DISCUSSION OF GAMING IMPACTS

### 5.1 Discussion

In a study by Crawford and Cornia, they found that “the greater the proportion of fixed costs, the higher the degree of operating leverage, and consequently the greater the degree of economic obsolescence for any reduction in asset use that results in reduced gross business income (Crawford and Cornia January 1994). This is certainly true of the gaming industry. Even under scenario 1 where a downturn of 4.53% - 5.72% is estimated, the range of potential gaming industry revenue losses along the “Strip” could reach \$158.6 million, while the losses for the downtown casinos could range as high as \$13.5 million Tables 16 and 17). Under this scenario, while an average “Strip” casinos with FY 2000 gaming revenues of over \$72 million would still have a positive net income before federal income taxes and extraordinary items, the average net income before federal income taxes and extraordinary items would be cut by 37.7% - 47.6% from \$14.3 million to \$7.5 million -\$8.9 million (Appendix A-4). The average smaller “Strip” casinos with FY 2000 gaming revenues of \$1 million to \$72 million would experience an additional loss of approximately \$460 thousand dollars above the average loss experienced in fiscal year 2000. (Appendix A-3).

**Table 16 Potential Range of Gaming Industry Revenue Losses for “Strip” Casinos**

Potential Range of Gaming Industry Revenue Losses for “Strip” Casinos by Revenue Size			
	\$1m to \$72m	Over \$72m	Totals
Scenario 1	\$6,880,273 to \$8,687,674	\$118,754,625 to \$149,950,652	\$125,634,898 to \$158,638,326
Scenario 2	\$15,188,241 to \$22,782,362	\$262,151,489 to \$393,227,234	\$277,339,730 to \$416,009,596
Scenario 3	\$37,970,603 to \$50,121,196	\$655,378,723 to \$865,099,914	\$693,349,326 to \$915,221,110

The average smaller downtown casino with fiscal year 2000 gaming revenues of \$1 million to \$12 million would see net income before federal income taxes and extraordinary items drop by 31.1% to 39.3% from approximately \$263 thousand to \$160 thousand to \$181 thousand (Appendix A-5). The average larger downtown casino with fiscal year 2000 revenues of over \$12 million would see net income before federal income taxes and extraordinary items cut 36.7 % - 46.4% from \$2.1 million to \$1.2 million to \$1.4 million (Appendix A-6).

**Table 17 Potential Range of Gaming Industry Revenue Losses for Downtown Casinos**

<b>Potential Range of Gaming Industry Revenue Losses for Downtown Casinos by Revenue Size</b>			
	<b>\$1m to \$12m</b>	<b>Over \$12m</b>	<b>Totals</b>
<b>Scenario 1</b>	\$409,087 to \$516,552	\$10,256,962 to \$12,951,396	\$10,666,049 to \$13,467,948
<b>Scenario 2</b>	\$903,062 to \$1,354,594	\$22,642,301 to \$33,963,452	\$23,545,363 to \$35,318,046
<b>Scenario 3</b>	\$2,257,656 to \$2,980,106	\$56,605,753 to \$74,719,594	\$58,863,409 to \$77,699,700

Under scenario 2 where a downturn of 10% - 15% is estimated, the range of potential losses of revenue in the gaming industry along the "Strip" could reach \$416 million, while the losses for the downtown casinos could range as high as \$35.3 million (Tables 16 and 17). A ten percent decrease in revenues, for an average "Strip" casinos with FY 2000 gaming revenues of over \$72 million would still result in a positive net income before federal income taxes and extraordinary items, of \$2.4 million, however, this is a drop of 83.2% from fiscal year 2000 net income before federal income taxes and extraordinary items (Appendix A-8). A fifteen percent revenue drop would result in a net loss before federal income taxes and extraordinary items for the average larger "Strip" casino of \$3.6 million. This represents a 125% drop in revenues from fiscal year 2000 for the average "Strip" casino with revenues greater than \$72 million (Appendix A-8). The average smaller "Strip" casinos with FY 2000

gaming revenues of \$1 million to \$72 million would experience an additional loss of approximately \$1 million to \$1.5 million (Appendix A-7).

A ten percent decrease in revenues, for an average downtown casino with FY 2000 gaming revenues of \$1 million to \$12 million would still result in a positive net income before federal income taxes and extraordinary items, of \$82.2 thousand. This is a drop of 68.7% from fiscal year 2000 net income before federal income taxes and extraordinary items (Appendix A-9). A fifteen percent drop for an average downtown casino with gaming revenues over \$1 million to \$12 million would result in a net loss of \$8,066. This is a drop of 103% over fiscal year 2000. Similarly, a ten percent decrease in gaming revenues for the average downtown casinos over \$12 million in revenues would result in net income dropping eighty-one percent from \$2.1 million to \$406 thousand. A fifteen percent drop would have net income fall from \$2.1 million to \$464.9 thousand, which is a drop of 121.6% (Appendix A-9).

Under scenario 3 where a downturn of 25% - 33% is estimated, the range of potential gaming industry revenue losses along the "Strip" could reach \$915.2 million, while the losses for the downtown casinos could range as high as \$77.7 million (Tables 16 and 17). Under this scenario, the average "Strip" casinos with FY 2000 gaming revenues of over \$72 million would have a net loss before federal income taxes and extraordinary items, the average net loss before federal income taxes and extraordinary items would be \$25.5 million to \$25 million (Appendix A-12). This is a dramatic decline from the \$14.3 million in net income that was generated by the average casino of this size and locale during fiscal year 2000. The average smaller "Strip" casinos with FY 2000 gaming revenues of \$1 million to \$72 million

would experience an additional loss of over \$2.5 million above the average loss experienced in fiscal year 2000. (Appendix A-11).

The average smaller downtown casino with fiscal year 2000 gaming revenues of \$1 million to \$12 million would see net income before federal income taxes and extraordinary items drop by 171.8% to 226.8% over fiscal year 2000 levels. This would result in the average net income levels declining from approximately \$263 thousand in fiscal year 2000 to a net loss of \$189 thousand to \$333 thousand (Appendix A-11). The larger downtown casinos with gaming revenues over \$12 million would see net income drops of 202.7% to 267.6% over fiscal year 2000 levels with net income reduced from \$2.1 million to a net loss of \$2.2 million to \$3.6 million (Appendix A-14).

## **5.2 Next Steps**

This study indicates that significant, in fact, even devastating losses may occur as a result of the Yucca Mountain shipment campaign. In order to refine the estimates, the research team will attempt to measure how specific stakeholder groups are likely to respond to the HLW shipment campaign. Additional information will be gathered to assess the nature and extent of likely responses by the financial community as to the affect on capital availability and rates that may result from the Yucca Mountain project. Subsequently, additional analysis will be able to be conducted that not only refines our understanding as to the extent of impacts that may be experienced as a result of the DOE program but also will allow a study to be conducted as to the extent of property value diminution that may be experienced by the gaming industry.

### 5.3 Conclusions

This analysis indicates that even under a scenario where no incident of any kind occurs during the proposed shipment campaign of HLW, that there may be significant drops in both revenue and net income for the gaming industry. While a 4.53% to 5.72% drop in revenues may appear to be modest, the effect on net income for casinos over \$72 million on the "Strip" and for all of the casinos downtown could result in a drop of net income of 31.1% to 47.6% over fiscal 2000 revenues for the same facilities.

Under scenario 2 a drop in gaming revenues of 10% -15% results in a percentage drop in net income of 68.7% to ~~124.9%~~ 124.9% for all of the casinos except those casinos along the "Strip" with revenues under \$72 million. Similarly, if revenue losses such as described under scenario 3 were to occur, there would be net losses for all both large and small properties along both the "Strip" and downtown. The declines in net income under this scenario could range from 29.3% to 35.7% for smaller "Strip" properties with revenues under \$72 million per year to 171.8% to 274.7% for larger "Strip" casinos and all of the downtown casinos. These rates of decline for any extended period would certainly devastate this industry and subsequently the economy of both Clark County and the State of Nevada.

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## APPENDIX A

### A-1 Average Las Vegas "Strip" Gaming Revenues – FY 2000

REVENUES	\$1 to \$72 million	Over \$72 million
Gaming	26,896,323	194,558,392
Rooms	12,360,164	99,774,609
Food	6,434,433	52,814,436
Beverage	3,849,714	20,112,494
Other	7,075,736	57,577,534
<b>TOTAL REVENUE</b>	<b>56,616,369</b>	<b>424,837,464</b>
COST OF SALES	4,940,260	28,456,747
GROSS MARGIN	51,676,109	396,380,718
DEPARTMENTAL EXPENSES	30,622,870	224,493,315
DEPARTMENTAL INCOME (LOSS)	21,053,239	171,887,403
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	1,328,874	7,706,939
Bad Debt Expense	36,454	181,269
Complimentary Expense (not reported in departments)	348,626	3,723,393
Depreciation - Buildings	1,705,502	12,197,871
Depreciation and Amortization - Other	3,630,800	21,975,566
Energy Expense (electricity, gas, etc.)	1,056,161	5,225,604
Equipment Rental or Lease	65,248	333,545
Interest Expense	4,873,018	29,578,095
Music and Entertainment	1,219,374	7,001,932
Payroll Taxes	291,285	1,837,706
Payroll - Employee Benefits	1,013,866	5,779,865
Payroll - Officers	308,993	566,351
Payroll - Other Employees	2,868,260	21,234,799
Rent of Premises	2,180,324	2,570,952
Taxes - Real Estate	671,219	4,679,775
Taxes and Licenses - Other	57,041	492,017
Utilities (Other than Energy Expense)	255,376	1,471,262
Other General and Administrative Expenses	7,774,216	31,015,853
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>29,684,638</b>	<b>157,572,794</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-8,631,398</b>	<b>14,314,609</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>22</b>

## A-2 Average Downtown Gaming Revenues – FY 2000

REVENUES	\$1 to \$12 million	Over \$12 million
Gaming	6,080,125	49,218,825
Rooms	678,240	10,858,719
Food	1,296,273	11,094,603
Beverage	792,986	3,701,035
Other	471,481	5,923,331
<b>TOTAL REVENUE</b>	<b>9,319,105</b>	<b>80,796,513</b>
COST OF SALES	1,215,021	6,959,679
GROSS MARGIN	8,104,084	73,836,834
DEPARTMENTAL EXPENSES	5,170,939	46,416,315
DEPARTMENTAL INCOME (LOSS)	2,933,144	27,420,519
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	151,802	341,529
Bad Debt Expense	1,820	1,317
Complimentary Expense (not reported in departments)	10,862	2,391,371
Depreciation - Buildings	92,716	1,782,223
Depreciation and Amortization - Other	432,547	3,067,658
Energy Expense (electricity, gas, etc.)	155,051	1,563,545
Equipment Rental or Lease	71,977	31,783
Interest Expense	86,776	2,548,742
Music and Entertainment	21,121	67,306
Payroll Taxes	54,662	489,856
Payroll - Employee Benefits	219,785	1,308,416
Payroll - Officers	0	148,962
Payroll - Other Employees	610,626	5,377,145
Rent of Premises	188,377	1,915,221
Taxes - Real Estate	45,447	622,754
Taxes and Licenses - Other	40,628	302,412
Utilities (Other than Energy Expense)	92,346	292,044
Other General and Administrative Expenses	393,748	3,020,514
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2,670,291</b>	<b>25,272,800</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>262,853</b>	<b>2,147,719</b>
Number of Locations Represented	5	13

**A-3 Scenario 1 Average Las Vegas "Strip" Gaming Revenues - \$1 To \$72 Million - FY 2000**

<b>Revenues</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	25,677,919	25,357,853
Rooms	11,800,248	11,653,162
Food	6,142,953	6,066,383
Beverage	3,675,322	3,629,510
Other	6,755,205	6,671,004
<b>TOTAL REVENUE</b>	<b>54,051,648</b>	<b>53,377,913</b>
<b>COST OF SALES</b>	<b>4,716,467</b>	<b>4,657,678</b>
<b>GROSS MARGIN</b>	<b>49,335,181</b>	<b>48,720,236</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>29,235,654</b>	<b>28,871,242</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>20,099,528</b>	<b>19,848,994</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	1,389,072	1,404,886
Bad Debt Expense	36,454	36,454
Complimentary Expense (not reported in departments)	348,626	348,626
Depreciation - Buildings	1,705,502	1,705,502
Depreciation and Amortization - Other	3,630,800	3,630,800
Energy Expense (electricity, gas, etc.)	1,056,161	1,056,161
Equipment Rental or Lease	65,248	65,248
Interest Expense	4,873,018	4,873,018
Music and Entertainment	1,219,374	1,219,374
Payroll Taxes	278,089	274,623
Payroll - Employee Benefits	967,938	955,873
Payroll - Officers	294,995	291,318
Payroll - Other Employees	2,738,328	2,704,195
Rent of Premises	2,180,324	2,180,324
Taxes - Real Estate	671,219	671,219
Taxes and Licenses - Other	57,041	57,041
Utilities (Other than Energy Expense)	255,376	255,376
Other General and Administrative Expenses	7,422,044	7,329,531
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>29,189,611</b>	<b>29,059,571</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-9,090,083</b>	<b>-9,210,577</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>15</b>

**A-4 Scenario 1 Average Las Vegas "Strip" Gaming Revenues - Over \$72 Million - FY 2000**

<b>REVENUES</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	185,744,897	183,429,652
Rooms	95,254,819	94,067,501
Food	50,421,942	49,793,450
Beverage	19,201,398	18,962,059
Other	54,969,272	54,284,099
<b>TOTAL REVENUE</b>	<b>405,592,327</b>	<b>400,536,761</b>
<b>COST OF SALES</b>	<b>27,167,656</b>	<b>26,829,021</b>
<b>GROSS MARGIN</b>	<b>378,424,671</b>	<b>373,707,741</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>214,323,768</b>	<b>211,652,297</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>164,100,904</b>	<b>162,055,444</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	8,056,063	8,147,776
Bad Debt Expense	181,269	181,269
Complimentary Expense (not reported in departments)	3,723,393	3,723,393
Depreciation - Buildings	12,197,871	12,197,871
Depreciation and Amortization - Other	21,975,566	21,975,566
Energy Expense (electricity, gas, etc.)	5,225,604	5,225,604
Equipment Rental or Lease	333,545	333,545
Interest Expense	29,578,095	29,578,095
Music and Entertainment	7,001,932	7,001,932
Payroll Taxes	1,754,458	1,732,590
Payroll - Employee Benefits	5,518,037	5,449,256
Payroll - Officers	540,695	533,956
Payroll - Other Employees	20,272,863	20,020,168
Rent of Premises	2,570,952	2,570,952
Taxes - Real Estate	4,679,775	4,679,775
Taxes and Licenses - Other	492,017	492,017
Utilities (Other than Energy Expense)	1,471,262	1,471,262
Other General and Administrative Expenses	29,610,835	29,241,747
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>155,184,232</b>	<b>154,556,773</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>8,916,671</b>	<b>7,498,670</b>
<b>Number of Locations Represented</b>	<b>22</b>	<b>22</b>

**A-5 Scenario 1 Average Downtown Gaming Revenues - \$1 To \$12 Million - FY 2000**

<b>REVENUES</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	5,804,696	5,732,342
Rooms	647,516	639,445
Food	1,237,552	1,222,127
Beverage	757,064	747,627
Other	450,123	444,512
<b>TOTAL REVENUE</b>	<b>8,896,950</b>	<b>8,786,052</b>
<b>COST OF SALES</b>	<b>1,159,981</b>	<b>1,145,522</b>
<b>GROSS MARGIN</b>	<b>7,736,969</b>	<b>7,640,530</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>4,936,696</b>	<b>4,875,162</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>2,800,273</b>	<b>2,765,369</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	158,678	160,485
Bad Debt Expense	1,820	1,820
Complimentary Expense (not reported in departments)	10,862	10,862
Depreciation - Buildings	92,716	92,716
Depreciation and Amortization - Other	432,547	432,547
Energy Expense (electricity, gas, etc.)	155,051	155,051
Equipment Rental or Lease	71,977	71,977
Interest Expense	86,776	86,776
Music and Entertainment	21,121	21,121
Payroll Taxes	52,186	51,535
Payroll - Employee Benefits	209,829	207,213
Payroll - Officers	0	0
Payroll - Other Employees	582,965	575,699
Rent of Premises	188,377	188,377
Taxes - Real Estate	45,447	45,447
Taxes and Licenses - Other	40,628	40,628
Utilities (Other than Energy Expense)	92,346	92,346
Other General and Administrative Expenses	375,911	371,225
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2,619,237</b>	<b>2,605,826</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME</b>		
<b>TAXES AND EXTRAORDINARY ITEMS</b>	<b>181,036</b>	<b>159,543</b>
<b>Number of Locations Represented</b>	<b>5</b>	<b>5</b>

**A-6 Scenario 1 Average Downtown Gaming Revenues – Over \$12 Million - FY 2000**

<b>REVENUES</b>	<b>4.53% Diminution</b>	<b>5.72% Diminution</b>
Gaming	46,989,212	46,403,508
Rooms	10,366,819	10,237,600
Food	10,592,018	10,459,992
Beverage	3,533,379	3,489,336
Other	5,655,004	5,584,516
<b>TOTAL REVENUE</b>	<b>77,136,431</b>	<b>76,174,953</b>
<b>COST OF SALES</b>	<b>6,644,405</b>	<b>6,561,585</b>
<b>GROSS MARGIN</b>	<b>70,492,026</b>	<b>69,613,368</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>44,313,656</b>	<b>43,761,302</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>26,178,370</b>	<b>25,852,066</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	357,001	361,065
Bad Debt Expense	1,317	1,317
Complimentary Expense (not reported in departments)	2,391,371	2,391,371
Depreciation - Buildings	1,782,223	1,782,223
Depreciation and Amortization - Other	3,067,658	3,067,658
Energy Expense (electricity, gas, etc.)	1,563,545	1,563,545
Equipment Rental or Lease	31,783	31,783
Interest Expense	2,548,742	2,548,742
Music and Entertainment	67,306	67,306
Payroll Taxes	467,666	461,837
Payroll - Employee Benefits	1,249,145	1,233,575
Payroll - Officers	142,214	140,442
Payroll - Other Employees	5,133,560	5,069,572
Rent of Premises	1,915,221	1,915,221
Taxes - Real Estate	622,754	622,754
Taxes and Licenses - Other	302,412	302,412
Utilities (Other than Energy Expense)	292,044	292,044
Other General and Administrative Expenses	2,883,685	2,847,741
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>24,819,648</b>	<b>24,700,607</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>1,358,722</b>	<b>1,151,458</b>
<b>Number of Locations Represented</b>	<b>13</b>	<b>13</b>



**A-7 Scenario 2 Average Las Vegas "Strip" Gaming Revenues - \$1 To \$72 Million - FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	24,206,690	22,861,874
Rooms	11,124,147	10,506,139
Food	5,790,990	5,469,268
Beverage	3,464,743	3,272,257
Other	6,368,162	6,014,375
<b>TOTAL REVENUE</b>	<b>50,954,733</b>	<b>48,123,914</b>
<b>COST OF SALES</b>	<b>4,446,234</b>	<b>4,199,221</b>
<b>GROSS MARGIN</b>	<b>46,508,498</b>	<b>43,924,693</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>27,560,583</b>	<b>26,029,439</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>18,947,915</b>	<b>17,895,253</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	1,461,762	1,528,205
Bad Debt Expense	36,454	36,454
Complimentary Expense (not reported in departments)	348,626	348,626
Depreciation - Buildings	1,705,502	1,705,502
Depreciation and Amortization - Other	3,630,800	3,630,800
Energy Expense (electricity, gas, etc.)	1,056,161	1,056,161
Equipment Rental or Lease	65,248	65,248
Interest Expense	4,873,018	4,873,018
Music and Entertainment	1,219,374	1,219,374
Payroll Taxes	262,156	247,592
Payroll - Employee Benefits	912,480	861,786
Payroll - Officers	278,093	262,644
Payroll - Other Employees	2,581,434	2,438,021
Rent of Premises	2,180,324	2,180,324
Taxes - Real Estate	671,219	671,219
Taxes and Licenses - Other	57,041	57,041
Utilities (Other than Energy Expense)	255,376	255,376
Other General and Administrative Expenses	6,996,794	6,608,084
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>28,591,863</b>	<b>28,045,476</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-9,643,948</b>	<b>-10,150,223</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>15</b>

**A-8 Scenario 2 Average Las Vegas "Strip" Gaming Revenues - Over \$72 Million - FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	175,102,553	165,374,633
Rooms	89,797,148	84,808,417
Food	47,532,992	44,892,270
Beverage	18,101,244	17,095,620
Other	51,819,781	48,940,904
<b>TOTAL REVENUE</b>	<b>382,353,718</b>	<b>361,111,845</b>
<b>COST OF SALES</b>	<b>25,611,072</b>	<b>24,188,235</b>
<b>GROSS MARGIN</b>	<b>356,742,646</b>	<b>336,923,610</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>202,043,983</b>	<b>190,819,318</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>154,698,663</b>	<b>146,104,293</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	8,477,633	8,862,980
Bad Debt Expense	181,269	181,269
Complimentary Expense (not reported in departments)	3,723,393	3,723,393
Depreciation - Buildings	12,197,871	12,197,871
Depreciation and Amortization - Other	21,975,566	21,975,566
Energy Expense (electricity, gas, etc.)	5,225,604	5,225,604
Equipment Rental or Lease	333,545	333,545
Interest Expense	29,578,095	29,578,095
Music and Entertainment	7,001,932	7,001,932
Payroll Taxes	1,653,936	1,562,050
Payroll - Employee Benefits	5,201,878	4,912,885
Payroll - Officers	509,716	481,398
Payroll - Other Employees	19,111,319	18,049,579
Rent of Premises	2,570,952	2,570,952
Taxes - Real Estate	4,679,775	4,679,775
Taxes and Licenses - Other	492,017	492,017
Utilities (Other than Energy Expense)	1,471,262	1,471,262
Other General and Administrative Expenses	27,914,268	26,363,475
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>152,300,031</b>	<b>149,663,649</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>2,398,632</b>	<b>-3,559,356</b>
<b>Number of Locations Represented</b>	<b>22</b>	<b>22</b>

**A-9 Scenario 2 Average Downtown Gaming Revenues - \$1 To \$12 Million - FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	5,472,113	5,168,106
Rooms	610,416	576,504
Food	1,166,646	1,101,832
Beverage	713,687	674,038
Other	424,333	400,759
<b>TOTAL REVENUE</b>	<b>8,387,195</b>	<b>7,921,239</b>
<b>COST OF SALES</b>	<b>1,093,519</b>	<b>1,032,768</b>
<b>GROSS MARGIN</b>	<b>7,293,675</b>	<b>6,888,471</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>4,653,845</b>	<b>4,395,298</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>2,639,830</b>	<b>2,493,173</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	166,982	174,572
Bad Debt Expense	1,820	1,820
Complimentary Expense (not reported in departments)	10,862	10,862
Depreciation - Buildings	92,716	92,716
Depreciation and Amortization - Other	432,547	432,547
Energy Expense (electricity, gas, etc.)	155,051	155,051
Equipment Rental or Lease	71,977	71,977
Interest Expense	86,776	86,776
Music and Entertainment	21,121	21,121
Payroll Taxes	49,196	46,463
Payroll - Employee Benefits	197,807	186,817
Payroll - Officers	0	0
Payroll - Other Employees	549,564	519,032
Rent of Premises	188,377	188,377
Taxes - Real Estate	45,447	45,447
Taxes and Licenses - Other	40,628	40,628
Utilities (Other than Energy Expense)	92,346	92,346
Other General and Administrative Expenses	354,373	334,686
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2,557,589</b>	<b>2,501,238</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>82,240</b>	<b>-8,066</b>
<b>Number of Locations Represented</b>	<b>5</b>	<b>5</b>

**A-10 Scenario 2 Average Downtown Gaming Revenues – Over \$12 Million - FY 2000**

<b>REVENUES</b>	<b>10% Diminution</b>	<b>15% Diminution</b>
Gaming	44,296,942	41,836,001
Rooms	9,772,847	9,229,911
Food	9,985,143	9,430,413
Beverage	3,330,932	3,145,880
Other	5,330,998	5,034,831
<b>TOTAL REVENUE</b>	<b>72,716,862</b>	<b>68,677,036</b>
<b>COST OF SALES</b>	<b>6,263,711</b>	<b>5,915,727</b>
<b>GROSS MARGIN</b>	<b>66,453,151</b>	<b>62,761,309</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>41,774,684</b>	<b>39,453,868</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>24,678,467</b>	<b>23,307,441</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	375,682	392,759
Bad Debt Expense	1,317	1,317
Complimentary Expense (not reported in departments)	2,391,371	2,391,371
Depreciation - Buildings	1,782,223	1,782,223
Depreciation and Amortization - Other	3,067,658	3,067,658
Energy Expense (electricity, gas, etc.)	1,563,545	1,563,545
Equipment Rental or Lease	31,783	31,783
Interest Expense	2,548,742	2,548,742
Music and Entertainment	67,306	67,306
Payroll Taxes	440,871	416,378
Payroll - Employee Benefits	1,177,575	1,112,154
Payroll - Officers	134,066	126,618
Payroll - Other Employees	4,839,430	4,570,573
Rent of Premises	1,915,221	1,915,221
Taxes - Real Estate	622,754	622,754
Taxes and Licenses - Other	302,412	302,412
Utilities (Other than Energy Expense)	292,044	292,044
Other General and Administrative Expenses	2,718,463	2,567,437
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>24,272,463</b>	<b>23,772,295</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>406,004</b>	<b>-464,854</b>
<b>Number of Locations Represented</b>	<b>13</b>	<b>13</b>

**A-11 Scenario 3 Average Las Vegas "Strip" Gaming Revenues - \$1 To \$72 Million - FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	20,172,242	18,020,536
Rooms	9,270,123	8,281,310
Food	4,825,825	4,311,070
Beverage	2,887,286	2,579,308
Other	5,306,802	4,740,743
<b>TOTAL REVENUE</b>	<b>42,462,277</b>	<b>37,932,968</b>
<b>COST OF SALES</b>	<b>3,705,195</b>	<b>3,309,974</b>
<b>GROSS MARGIN</b>	<b>38,757,082</b>	<b>34,622,993</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>22,967,152</b>	<b>20,517,323</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>15,789,930</b>	<b>14,105,670</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	1,661,093	1,767,403
Bad Debt Expense	36,454	36,454
Complimentary Expense (not reported in departments)	348,626	348,626
Depreciation - Buildings	1,705,502	1,705,502
Depreciation and Amortization - Other	3,630,800	3,630,800
Energy Expense (electricity, gas, etc.)	1,056,161	1,056,161
Equipment Rental or Lease	65,248	65,248
Interest Expense	4,873,018	4,873,018
Music and Entertainment	1,219,374	1,219,374
Payroll Taxes	218,463	195,161
Payroll - Employee Benefits	760,400	679,290
Payroll - Officers	231,745	207,025
Payroll - Other Employees	2,151,195	1,921,734
Rent of Premises	2,180,324	2,180,324
Taxes - Real Estate	671,219	671,219
Taxes and Licenses - Other	57,041	57,041
Utilities (Other than Energy Expense)	255,376	255,376
Other General and Administrative Expenses	5,830,662	5,208,725
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>26,952,701</b>	<b>26,078,482</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-11,162,772</b>	<b>-11,972,811</b>
<b>Number of Locations Represented</b>	<b>15</b>	<b>15</b>

**A-12 Scenario 3 Average Las Vegas "Strip" Gaming Revenues – Over \$72 Million - FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	145,918,794	130,354,123
Rooms	74,830,956	66,848,988
Food	39,610,827	35,385,672
Beverage	15,084,370	13,475,371
Other	43,183,151	38,576,948
<b>TOTAL REVENUE</b>	<b>318,628,098</b>	<b>284,641,101</b>
<b>COST OF SALES</b>	<b>21,342,560</b>	<b>19,066,020</b>
<b>GROSS MARGIN</b>	<b>297,285,538</b>	<b>265,575,081</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>168,369,986</b>	<b>150,410,521</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>128,915,552</b>	<b>115,164,560</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	9,633,673	10,250,229
Bad Debt Expense	181,269	181,269
Complimentary Expense (not reported in departments)	3,723,393	3,723,393
Depreciation - Buildings	12,197,871	12,197,871
Depreciation and Amortization - Other	21,975,566	21,975,566
Energy Expense (electricity, gas, etc.)	5,225,604	5,225,604
Equipment Rental or Lease	333,545	333,545
Interest Expense	29,578,095	29,578,095
Music and Entertainment	7,001,932	7,001,932
Payroll Taxes	1,378,280	1,231,263
Payroll - Employee Benefits	4,334,898	3,872,509
Payroll - Officers	424,763	379,455
Payroll - Other Employees	15,926,099	14,227,315
Rent of Premises	2,570,952	2,570,952
Taxes - Real Estate	4,679,775	4,679,775
Taxes and Licenses - Other	492,017	492,017
Utilities (Other than Energy Expense)	1,471,262	1,471,262
Other General and Administrative Expenses	23,261,890	20,780,622
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>144,390,885</b>	<b>140,172,675</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-15,475,333</b>	<b>-25,008,115</b>
<b>Number of Locations Represented</b>	<b>22</b>	<b>22</b>

**A-13 Scenario 3 Average Downtown Gaming Revenues – \$1 to \$72 Million - FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	4,560,094	4,073,684
Rooms	508,680	454,421
Food	972,205	868,503
Beverage	594,739	531,300
Other	353,610	315,892
<b>TOTAL REVENUE</b>	<b>6,989,329</b>	<b>6,243,800</b>
<b>COST OF SALES</b>	<b>911,266</b>	<b>814,064</b>
<b>GROSS MARGIN</b>	<b>6,078,063</b>	<b>5,429,736</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>3,878,205</b>	<b>3,464,529</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>2,199,858</b>	<b>1,965,207</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	189,752	201,896
Bad Debt Expense	1,820	1,820
Complimentary Expense (not reported in departments)	10,862	10,862
Depreciation - Buildings	92,716	92,716
Depreciation and Amortization - Other	432,547	432,547
Energy Expense (electricity, gas, etc.)	155,051	155,051
Equipment Rental or Lease	71,977	71,977
Interest Expense	86,776	86,776
Music and Entertainment	21,121	21,121
Payroll Taxes	40,996	36,623
Payroll - Employee Benefits	164,839	147,256
Payroll - Officers	0	0
Payroll - Other Employees	457,970	409,120
Rent of Premises	188,377	188,377
Taxes - Real Estate	45,447	45,447
Taxes and Licenses - Other	40,628	40,628
Utilities (Other than Energy Expense)	92,346	92,346
Other General and Administrative Expenses	295,311	263,811
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>2,388,537</b>	<b>2,298,375</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-188,678</b>	<b>-333,168</b>
<b>Number of Locations Represented</b>	<b>5</b>	<b>5</b>

**A-14 Scenario 3 Average Downtown Gaming Revenues – Over \$72 Million - FY 2000**

<b>REVENUES</b>	<b>25% Diminution</b>	<b>33% Diminution</b>
Gaming	36,914,118	32,976,612
Rooms	8,144,039	7,275,342
Food	8,320,953	7,433,384
Beverage	2,775,777	2,479,694
Other	4,442,498	3,968,632
<b>TOTAL REVENUE</b>	<b>60,597,385</b>	<b>54,133,664</b>
<b>COST OF SALES</b>	<b>5,219,759</b>	<b>4,662,985</b>
<b>GROSS MARGIN</b>	<b>55,377,626</b>	<b>49,470,679</b>
<b>DEPARTMENTAL EXPENSES</b>	<b>34,812,236</b>	<b>31,098,931</b>
<b>DEPARTMENTAL INCOME (LOSS)</b>	<b>20,565,390</b>	<b>18,371,748</b>
<b>GENERAL AND ADMINISTRATIVE EXPENSES</b>		
Advertising and Promotion	426,912	454,234
Bad Debt Expense	1,317	1,317
Complimentary Expense (not reported in departments)	2,391,371	2,391,371
Depreciation - Buildings	1,782,223	1,782,223
Depreciation and Amortization - Other	3,067,658	3,067,658
Energy Expense (electricity, gas, etc.)	1,563,545	1,563,545
Equipment Rental or Lease	31,783	31,783
Interest Expense	2,548,742	2,548,742
Music and Entertainment	67,306	67,306
Payroll Taxes	367,392	328,204
Payroll - Employee Benefits	981,312	876,639
Payroll - Officers	111,722	99,805
Payroll - Other Employees	4,032,858	3,602,687
Rent of Premises	1,915,221	1,915,221
Taxes - Real Estate	622,754	622,754
Taxes and Licenses - Other	302,412	302,412
Utilities (Other than Energy Expense)	292,044	292,044
Other General and Administrative Expenses	2,265,386	2,023,744
<b>TOTAL GENERAL AND ADMINISTRATIVE EXPENSES</b>	<b>22,771,959</b>	<b>21,971,690</b>
<b>NET INCOME (LOSS) BEFORE FEDERAL INCOME TAXES AND EXTRAORDINARY ITEMS</b>	<b>-2,206,569</b>	<b>-3,599,942</b>
<b>Number of Locations Represented</b>	<b>13</b>	<b>13</b>





